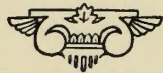




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THESIS

LABOR MANAGEMENT IN POST-WAR CHINESE INDUSTRY

by

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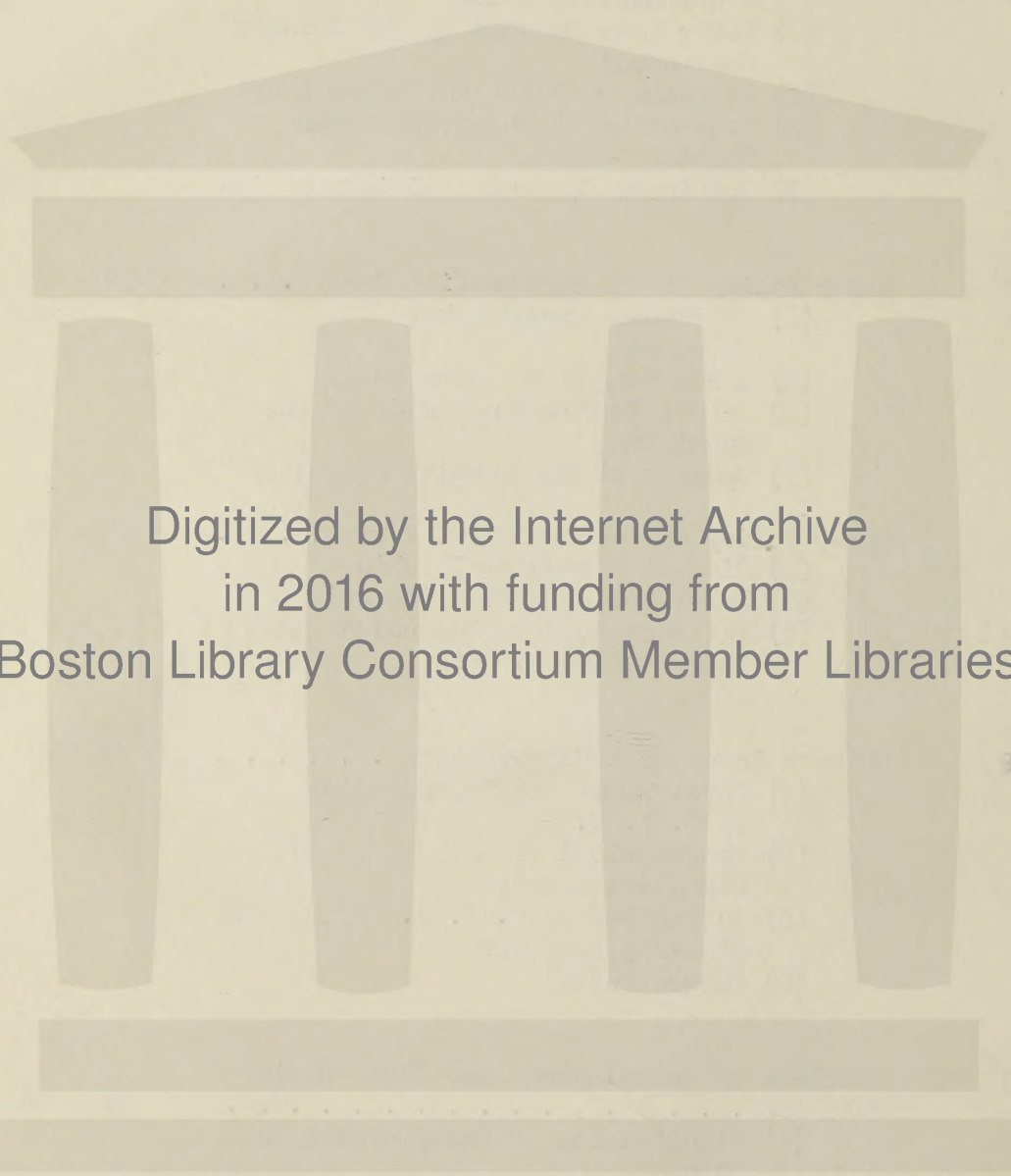
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CHAPTER I

HISTORICAL SURVEY OF LABOR MOVEMENT IN CHINA

(A) Economic Background and Significance

As long as China moved in an orbit of her own creation, her traditional economic organization had little need for improvement or modification. For centuries she had been free to work out her own edifice of production, distribution and consumption. But today the very foundation of this ancient bulwark has been shattered by the rising tide of modern industrialism and capitalism. Chinese agricultural life is falling into a state of derangement; handicraft industries are giving up the right of way to machine production; paternalistic relations between employers and employees are yielding to the influence of modern labor unions; the family system is breaking down; new economic groupings are being formed and the whole economic panorama in China is taking on a new coloring. Willingly or unwillingly, China has now accepted the task of reconstructing her socio-economic structure on a new basis. On the one hand, she must learn to absorb and harness the forces of modern industrialism and adjust her social institutions to the new order; on the other hand, she must speedily carry out certain fundamental economic improvements, without which she can never achieve real political unification and solidarity. The long eight years of war since the Japanese invasion in 1937 has caused further change in economic and social life in China. At no other period in her long history has a frank recognition of her economic plight been more needed than today. In this chapter some

of the more obvious indications of the Chinese economic crisis will be presented.

1. Agricultural Disintegration

The first and most outstanding indication of China's economic crisis is the break-up of her agricultural system. For several thousand years China's national economy has centered around agriculture, and that the little prosperity her people have enjoyed so far has been largely due to the success of her production in tea, raw silk, rice, wool, oil, eggs, hides, bean cakes and bean oil; of which a large quantity has been supplied to various foreign countries. But in recent years the production of a number of important agricultural commodities in China has shown a tremendous decline; because of this and other factors her agricultural exports have also gone downward. Indeed she has become increasingly dependent upon foreign foodstuffs to feed her teeming millions. The chief causes may be stated as follows:

a. Civil war and military invasions. For more than thirty years China has been going through one war after another, and the effects of civil strife are anything but beneficial to the farmers. Banditry has grown by leaps and bounds, land taxes have been increased, agricultural implements and other forms of property have been destroyed. Losses are indeed inestimable.

b. Natural calamities. Drought, floods and famines are recurrent affairs. In the year 1928-1929 the total area affected by famine was over 1093 counties comprising a population of at least 56 millions according to the reports of the National Famine Relief Committee. The flood in the summer of 1931 also caused immense damage to China's agricultural sys-

tem, and directly affected about 25.2 million persons - a total approximately equivalent to the entire farming population of the United States.¹

c. High rents and interest charges. Another cause for the agricultural disintegration lies in the high rents charged by the land-owners and the excessive interest rates demanded by the money-lenders in the country districts. Rents ordinarily vary from 40 to 60% of what the land produces during the year while the farmers can hardly pay more than 4% per month.

d. Population exceeds supply of farm land. The former Ministry of Agriculture and Commerce reported in 1928 that averagely only 29% of the total area of China was physically available for the production of crops. Calculating on the basis of a total population of 475,000,000 in 1931, the per capita cultivable land is therefore 1.67 acres whereas in the United States it is 8.3 acres.² With the exception of Manchuria the various parts of China do not produce enough food to meet the requirements of the population. Not only is China's population poorly distributed but also the growth of her population has taken a far greater rate of speed than her ability to produce. According to Mr. Fan Fu-An's study,³ China's population has increased enormously during the last two centuries. It sprang from a total of 177,000,000 in 1748 to 350,000,000 in 1820 and 492,808,000 in 1934. Owing to lack of effective census, the above figure is by no means accurate, but it indicates an amazing rate of increase in

1. p.31, "Industrial Review", 1938, Kweilin, China.

2, p.8, "Labor Monthly", August 1939, Chungking, China.

3, Fan Fu-An: "Chinese Labor", p.14, Shanghai, 1934.

population. This poor distribution of population together with periodical floods and famines have caused 95% of China's farming population to live below the poverty standards.¹

e. Excessive taxation. Although the government has considerably improved its methods of taxation and financial administration in recent years, the tax burdens of the people have never been relieved. Furthermore, the wartime finance has added another string on the pull of the already excessive taxation.

2. Unbalance in International Payments.

A second indication of China's economic crisis is the steady increase in outpayments in her international economic relations without any measurable increase in national income. According to the records of the Chinese Customs, China has not had any favorable balance of trade since 1877. The loss of Manchuria to the Japanese militarists has a most detrimental effect upon China's foreign trade, as these three provinces constitute the only section of the Chinese Republic which has been enjoying a favorable balance of trade. This effect could be easily seen from the sudden decline of 46% in exports in 1932 following the Japanese occupation of Manchuria.²

3. Transportation and Communications.

Thirdly, China's economic crisis is complicated by her backwardness in transportation and communication facilities. Although China's total area is one-fourth larger than that of the United States, her railway mileage is less than 11,000 and the total mileage of her highways is

1. Part V, "China Handbook" 1939-41, The Commercial Press, China
2. Ho Ping Yin: "The Foreign Trade of China" p.13, The Commercial Press, Shanghai, 1935.

not over 60,000. As to maritime shipping China has not developed a merchant fleet adequate to answer even her own domestic requirements. This weakness is especially inexcusable with her total coast line of about 5,000 miles and a good number of navigable rivers and lakes. Before the World War II started, more than 80% of the total shipping business was done by foreign-owned vessels.

4. Growing Concentration of Wealth.

A fourth unhealthful factor in the economic situation in China is the disproportionate concentration of the nation's financial resources in a few treaty ports and the shortage of capital for promoting producing enterprises. Because of the uncertain political situation in the interior regions, their increasing reliance upon the treaty ports and foreign countries for articles of daily use, and the hoarding of wealth in foreign banks on the part of Chinese militarists and politicians, there has been a steady influx of cash into the main cities and treaty ports during the last three decades. As a result, one does not find any significant amount of capital or cash to carry on business in the country districts.

5. Social Conditions.

With the advent of modern industrialism and capitalism, social conditions are experiencing a profound change. So while thousands of people are sunk in the depths of hunger and disease, a considerable portion of the social energy is employed not to meet this deficiency, but to produce luxurious instead of capital goods, as the former are more profitable and less risky. In this way, the economic structure in China has become more unbalanced, more turbulent and more heavily marked with

inequalities and injustices. Amidst the whirlwind of the industrial revolution, Chinese employers are invariably tempted to take advantage of temporary factors for personal gain, without due regard for the welfare of society or of the other components of industry. At the same time, the Chinese workers have awakened and are demanding a larger share in almost every sphere of life. They are becoming class-conscious and are beginning to feel their power of organization as well as the advantages of collective bargaining.

(B) Chief Stages of Labor Movement.

1. The Embryonic Stage, 1911-1925.

During this 14 years following the birth of the Chinese Republic, labor's organizing efforts, though invariably supported by the intellectual class, were often hampered by the repressive measures of the military governors. It was not until 1919 that China's attention was officially drawn to the legal protection of laborers. The International Labor Conference in Washington brought before the Chinese delegation the proposals that China be asked to adhere to the principle of the protection of labor by factory legislation, and that the Chinese Government be asked to report to the Conference next year in what way it is prepared to apply that principle. Meanwhile underground organization went on and strikes were conducted on several occasions. Early in 1919, through the agitation of students, 26 labor organizations were formed. The successful strikes of the Mechanics' Union in Hongkong in 1920 gave it a fresh impetus, and more than a hundred new unions sprang up within a few months.

Nevertheless, organized labor was confronted with the following handicaps during this period:

a. The employment situation in the country being unfavorable, every worker was eager to hold whatever job he had and not to arouse any ill-feeling in his employer.

b. Although the factory system had its abuses, they were comparatively not as ruthless and uncontrollable as the uncertainties and sufferings of rural life.

c. The majority of the workers still retained a strong family spirit, and as long as they did not hear anything about modern trade unionism or the class struggle, they were content to work without resorting to collective bargaining.

d. The oppressive policy of the warlords, coupled with the reactionary attitude of the foreign concession authorities made it particularly dangerous and difficult for the labor organizer to do his work widely.

2. The Period of Expansion, 1925-1927.

The labor unions in Canton were especially active during this period. Along with the advance of the Nationalist Revolutionary Armies, the influence of unionized labor spread over half the land. Within two years, the total number of organized laborers in China was reported to have increased from 300,000 to 3,000,000.¹ In conformity with its revolutionary policy, the Nationalist Government in Wuhan created a

1. p.57, Koo, P.Y., "China's Labor Laws", Commercial Press, 1931.

ministry of labor in 1927, thus organized labor became not only more powerful but also enhanced in dignity.

3. The Period of Reorganization, 1927-1937.

With the fall of the Wuhan Government in 1927 by split of the Kuomintang with the Communist, the latter was eliminated from the coalition government. Hence the labor movement dwindled into a stage of retrenchment and reorganization. A new policy was adopted. The promotion and training of peasant and labor organizations was to be under the sole direction of the Party organs of Kuomintang. All peasants and labor unions of a questionable character were to be either abolished or reorganized in accordance with the proper procedure promulgated by the Kuomintang. All slogans used during the period of cooperation with the Communists were to be dropped. In conformity with its policy of moderation and doctrine of party government, the Kuomintang established in every one of the important industrial centers a Labor Union Reorganization Committee, certain members of which were appointed by the Party organ in the locality concerned. A Factory Law was promulgated by the Legislative Council in December 1929. Since its split with the Communists, the Kuomintang has stood for a positive policy of promoting cooperation in industry.

4. The Period of National Defense, 1937-1945.

The labor front has been extremely quiet during the war period. The sudden drop in the number of industrial conflicts since 1937 was attributable to circumstances arising out of the war. Labor conditions and wartime labor policies during the war period will be fully discussed in the next chapter.

(C) Influence of the Renaissance Movement of 1917.

The above discussion of labor movement in China is simply a brief survey. It is necessary to point out some important influences from which China's labor movement gains its momentum. The first to be mentioned was the literary revolution in 1917, known as the Chinese Renaissance. When Dr. Hu Shih wrote his "Suggestions for the Reform of Chinese Literature", he helps to remove one of the greatest obstacles to the awakening of the masses. Besides aiming at the elimination of illiteracy, the "Renaissance" imbued the people with the critical attitude toward the present order of things and yearning for reform. The simplified language met the particular needs of the working class, as the majority of them were poor and could not devote much time to learning the classical Chinese. When in 1919, Chinese students all over the country started a crusade against the classical language and ancient customs, they especially urged the laborers to obtain an elementary education whenever opportunity presented itself. Of recent years, modernized industrial and commercial establishments in China frequently provide rudimentary education for their employees. Some trade unions maintain schools for adults and also for children. A number of strikes include the privilege of education among their principal demands. The persistent desire on the part of the intelligent workers to satisfy some of these wants has been a potential cause for social unrest in subsequent years. Although modern unions were said to have made their first appearance as early as 1912, it remained for the student unions to show the workers how to organize and use effectively such weapons as strikes and sabotage.

(D) Effect of the Rising Communism.

The second important influence was the Soviet Revolution in November 1917, which stirred up unprecedented hopes on the part of workers all over the world. In 1919 M. Popoff came to Shanghai for the definite purpose of exploring the Chinese situation and its possibilities. As a result of his investigations, agents from Soviet Russia thoroughly organized the Chinese Communist Party in 1920. The rendition to China of extraterritorial rights and other privileges acquired during the Czarist regime, coupled with the presence of countless evidences of foreign capitalism and foreign enterprise in China, gave the Soviet Russia an especially fertile field to spread their gospel of world revolution. Michael Borodin's visit to Canton in 1923 was both timely and effective. The doctrine of class struggle was extensively and systemically disseminated, and Chinese workers were soon organized everywhere on the trade union basis. Rightly or wrongly the masses were told that their sufferings were largely inflicted upon them by foreign capitalists and imperialists, and that to remove these shackles they must organize themselves and establish a government of the workers, for the workers, and by the workers.

(E) Influence of the International Labor Organization.

At the first conference of the I.L.O. held in Washington in 1919, a Commission on Special Countries was appointed, primarily to consider the problem of China. Its efforts to improve the conditions of labor in China have centered on discovering and making known the conditions of workers in China, securing the ratification of the draft con-

ventions adopted at its conferences, and supporting the Chinese Government in establishing labor legislation, and rendering help in creating a factory inspectorate and solving the jurisdictional problem concerning the enforcement of that legislation in the foreign controlled areas of China.

Measured by the yardstick of the effects of its draft conventions, which were adopted in the course of the years, the influence of the I.L.C. has been small. Its recommendations and conventions, the proceedings of its annual conferences, and its studies have on the whole borne little relation to the problems of China. The nature of Chinese conditions have made it impossible for the I.L.C. to impose the minimum standards of an eight-hour day, abolition of child labor, and the prohibition of night work for women and children, now accepted almost universally in the industrially advanced countries of the world.

But the usefulness of the I.L.C. should not be overlooked. Even though many of its draft resolutions have been irrelevant to Chinese conditions, its continuing insistence of the need for protective legislation has been useful. The more practical approach of the Chinese Government in recent years in working toward the gradual enforcement of its Factory Act has been partly due to the influence of the I.L.C. representatives who recommended this policy.

(F) Other Factors of Influence.

Besides the above internal and external causes, there are some fundamental economic causes which push forward the labor movement. Industrialization in China creates new opportunities for labor. The

processes of industrialization in some commercial and industrial cities are fairly rapid and the workers have been forced to organize and agitate. The growth of modern factories, the loss of personal relationships in industry, the depreciation of currency, the continuous civil war, the rapid increase of cost of living, the almost habitual disregard of the workers' interests by the general majority of employers --- these are factors which drove the workers into a united body in their attempt at economic emancipation.

CHAPTER II

LABOR CONDITIONS DURING AND AFTER THE EIGHT
YEARS OF WAR SINCE 1937(A) Effects of the War upon Industry and Labor.

China burst with rage when the Japanese militarists began their invasion on July 7, 1937, which was followed by eight years of long and exhaustive war. The over-crowded concentration of industries in the coastal areas has made China suffer a fatal blow. In Shanghai alone, there were 5525 factories and 16,851 workshops employing approximately 600,000 workers before the war.¹ The destruction of the factories in the Shanghai areas during the war had thrown hundreds of thousands of workers out of employment. The disbandment of the railway and shipping staff and the destruction of the mines had added many to the already long list of unemployed. Even the farms had absorbed a large portion of the industrial workers, the remainder still had to make shift or to rely on relief.

While unemployment was getting more and more serious in coastal cities, the inland provinces experienced a shortage of man-power. Railways and highways had been built at a furious pace; new factories, plants and mines were seen in expansion in many of the larger cities in the Southwest. There was, therefore, a greatly inflated demand for labor which the local population could not always supply, especially the

1. The Chinese Year Book: "Labor Conditions", The Commercial Press, 1940-1941, Shanghai.

(a) THE CHINESE JAR BOOK: "JIAO-YUAN" (1900-1901)

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skilled labor. Yet this situation could not relieve the seriousness of unemployment in the coastal cities. The movement of a large body of laborers was beyond the possibility at that time.

In spite of the above problems, the labor front had been extremely quiet during the war years. The sudden drop in the number of industrial conflicts since 1937 was attributable to the following circumstances arising out of the war:

1. The entire economic order was thrown out of gear due to the completeness of the industrial disaster.
2. Unemployment had grown in an alarming rate when most of the factories in large industrial centers had been either destroyed or closed down.
3. Patriotism would urge the workers to give their most and to take the least.
4. The government has promulgated a set of regulations governing wartime control. Strikes, sabotages, lockouts and other agitations were all prohibited..
5. Many labor organizations expressed their willingness to give up many of the rights guaranteed them by law in order that the wartime production would not be interrupted.

Therefore, even the skyrocketing inflation of the national currency has caused persistent increase of the cost of living and sharp decrease of the real wages, labor unrest never appeared to be a disturbing problem during the war period.

(B) Sources of Labor Supply in Interior China.

1. The Non-Local Skilled Workers.

a. Recruitment. After the Battle of Shanghai in 1938, there was a great exodus into the interior of the coastal population, including a number of factory workers. Many factories also moved in with their workers to avoid being taken over by the Japanese. These were the initial stock of non-local skilled workers in the interior. But as soon as the Japanese consolidated their occupation in the Yangtze Valley, the mass migration stopped. However, there was still a relatively open exit from Shanghai where the foreign settlements maintained their restricted independence from the Japanese rule. But because of the difficulties of securing transportation and the expense of travel, few workers could afford to move. It was therefore necessary for the factories which were in urgent need of skilled workers to facilitate recruitment by offering help. This recruitment was made by establishing agencies in the Shanghai settlements to work secretly because the Japanese were watchful and tried to stop migration of workers into free China. When the Japanese occupied Indo-China in 1941, the expense of recruiting a worker from Shanghai by inland route increases enormously. The cost became prohibitive and the migration of workers actually stopped. Owing to the scarcity of skilled labor, the individual factory therefore turned to induce such workers, by offering higher wages, to get a release from their existing contracts. This "poaching" each other's employees had caused labor unrest and high turnover of skilled workers.

b. Migration by patriotic motives, A number of workers took flight in the period of confusion when the Japanese seized and destroyed

the factories in the occupied areas. Many who remained refused for patriotic reasons to work for the enemy. When the Chinese government and the private enterprises began to develop industries in Free China, they needed skilled workers of which the supply was extremely limited. They appealed to the workers in occupied areas by offering economic incentives as well as arousing patriotic feeling. Different appeals attracted different types of persons. So the migration group included a wide variety of persons with different motives, interests and outlook in their work.

2. The Local Unskilled Workers.

The chief source of this unskilled labor is through private introduction, by which a worker brought his friends and fellow-villagers into the factory. In addition to this, semi-skilled workers may be admitted by way of open examination. This indicated an attempt by factory to get local men of better education and to train them as skilled workers. Motives for their entering the factory could be found as follows:

a. Deferment. Deferment is the important motive for bringing some of the war-weary people into the factory. More of the unskilled workers than of the semi-skilled came to the factory to get deferment. Because most of the deferment cases were from farmers and there are more farmers in the unskilled group, the draft system was more effectively administered in the villages. Therefore villagers who did not wish to serve in the army had to leave their native places and find employment in defense industries.

b. Economic incentives. Because of poverty or being attracted

by higher wages, this group came to factory and were more easily satisfied with the living conditions. But they were also easily attracted by better paid occupations elsewhere. They are less stable than the first group.

c. Social troubles. Among this group were those who had incurred debt to others or those who had violated the general standard of conduct at home or in the clan. The factory was therefore used as temporary refuge.

(C) Government Control of Skilled Workers.

The extreme shortage of skilled workers resulted in labor "poaching" which in turn resulted in high rate of labor turnover. In view of this serious situation, the Ministry of Economic Affairs ordered in 1938 that employers must not poach workers from other factories and that workers must not change their employment without the consent of their employers and not to resort to sabotage under whatever conditions.

To enforce this regulation, factories were advised to submit labor registration cards to the Ministry, and laborers were forced to go back to their original factories in case they left without consent of their employers. However, the control of skilled labor was not put on a nation-wide basis until 1942, when the Regulations Governing the Control of Industrial Skilled Labor in Time of Emergency was promulgated.¹ The main points are:

L. The China Handbook, op. cit., p.474.

1. Skilled workers of some industries are to be controlled.
2. Skilled workers are required to possess certificate issued by the authorizing committee in their respective localities after resignation.
3. Employment and recruiting of skilled labor should first be approved by the local committee.

(D) Labor Problems During the War.

1. Difference of Social Status among Workers.

Since most of the skilled workers had come from Shanghai and almost all of the unskilled workers were drawn from the interior provinces, this situation gave rise to certain psychological distinctions. These skilled workers were called "master" which commands prestige, and the unskilled workers were called "small workers" which carries a sense of contempt. Therefore the distinction of locality has become a distinction of skill and prestige. This situation gradually widened the gap of cooperation between the skilled and the unskilled workers and greatly affected the productive efficiency.

2. Mobility of Local Workers.

Judging from the motives of the local workers who used the factory as their temporary refuge, the management authorities had apparently not made a sound beginning. The local people have been conditioned by their traditional life. They are bound to the land by many ties, and are strongly attached to their native places. They have developed an attitude of unadventurous content, and are willing to accept a low standard

of living at home rather than venture into a new field. Furthermore, the rapid rise in the price of rice brought higher actual income for the farmers. The drainage of man-power into the army again stimulated a rise of wages in farming. For a time there was a war boom in the remote country districts. Unless factories offered deferment or other advantages it was doubtful whether they could get an adequate labor supply. This shortage of labor limited the capacity of any factory to select its workers who had constituted a constant flow of coming and going.

3. Antagonism between Staff Members and Manual Workers.

We have already seen the social significance of the distinction between non-local and local workers, which was purely wartime phenomenon. There also exists another distinction, which has been derived from traditional Chinese concepts, between all manual workers on the one hand and the administrative staff of the factory on the other. In the latter group are included not only managers, department heads and engineers, but also clerks as well. This distinction has made labor management in interior China fail lamentably to establish a sense of personal relationship with workers. The workers are painfully aware of their inferiority which has been prevalent for centuries among the working class, and the administrative staff take pleasure in asserting their superiority which has also come from the traditional pride of being able to belong to the "cultured" class. The staff members would not allow themselves to be "lowered" by any personal relationship with manual workers. In a society where two individuals must consider status or personal relationship first and all other matters next, such a caution on the part of the staff members is

not entirely groundless. But unfortunately this traditional effect has been acting as a stumbling block in China's transition from agriculture to industry. It had also indirectly put an obstacle on the war efforts.

(E) Wages and Working Conditions.

There was no uniform rate of wages in either the skilled or unskilled class. Each factory decided the rate for individual workers and raised it from time to time. Of course this irregularity of wages was not the case in some big industrial enterprises, but many small factories had not adopted scientific methods of job classification and rating system. The lack of a definite system of promotion, such as length of service, seniority and merit rating, inevitably had faced many difficulties in raising wages without resulting in injustice and complaint.

Since reliable statistics of price changes and cost of living are not available, the real wages of workers during the war could not be presented here. But it is evident that the cost of living has increased continuously because of monetary inflation, and the increase always moves up faster than the workers' nominal wages. To keep up with this ever-changing situation, a system of subsidy has been introduced by giving each worker a monthly sum which varies with the number of dependents.

The working conditions of the local unskilled workers were by no means encouraging. Once entering the factories, they were looked upon as inferiors who could be replaced at any time. They had little hope of promotion. Their jobs were carrying loads from one place to another, sweeping floors or cleaning things. They had no chance even

to touch the machines. They lived in dormitories which were poorly equipped, and the food even poorer. Under these circumstances no one could feel any hope for a bright future in his new career and would immediately lose his interest in the factory.

The non-local skilled workers presented no less of a problem. They felt superior, so they would resist advice or demonstration of new and better methods of work. This attitude had often increased the difficulty of supervision, and retarded productive capacity to a great extent.

(F) Wartime Labor Policy and Administration.

After Chungking became war capital following China's retreat toward inland, a Bureau of Labor has been created to control labor force and mobilize man-power. Since labor shortage was so acute in the interior provinces that the government had to adopt a progressive policy and to promote labor welfare in order to maintain a sufficient supply of workers. In Chapter V we will discuss the Kuomintang Government's labor policy since Revolution. However, a brief outline of the wartime policy will be presented here as follows:¹

1. Worker's rights. The workers have the right of holding meetings and organizing unions. The unions have the right of collective bargaining and strikes. However, workers in military industries do not possess the right of organizing unions; unions of public enterprises have no right of collective bargaining and strike; private-owned public utility and

1. The China Handbook: "Industry and Labor", a Chinese Ministry of Information, Chungking, 1943.

communication enterprises have right of collective bargaining but no right to strike.

2. Wages. An equal reward for an equal amount of work is specified as principle of fixing wages.
3. Working hours. An eight-hour day and 48-hour week is enforced with a rest for 24 consecutive hours every week.
4. Protection of woman and child workers. They shall be engaged only in work which is not heavy nor dangerous. No night shifts. Leaves and medical assistance must be given to women workers during childbirth. Chances for apprentices and child workers to receive citizen's or supplementary education must not be hampered.
5. Labor efficiency. Standard is set for various factories on scientific management, work contests, rate of production and training of labor.
6. Distribution of labor. Strictly enforcing registration, adjusting supply and demand of skilled labor, and giving vocational guidance.
7. Social insurance. Planning of health, accident, old-age and disabled insurances.
8. Labor welfare. Factories must furnish health and safety equipment, protect women and children, establish nurseries, assist in labor cooperatives and saving plan, and provide recreational and physical education.
9. Factory and mine inspection. Setting up of a central in-

specting system, and fixing lowest standard for safety and health equipment in factories, mines, and other important working places.

As a first step, the Ministry of Social Affairs selected eleven districts as centers for the establishment of model unions. Special attention was paid to the organization and training of the members of these unions, welfare projects and wartime services. However, owing to the unfavorable war situation and the lack of financial support by the government, few of the above principles have been carried out successfully.

(G) Labor Conditions after the War.

The peace following the Japanese surrender in August, 1945 caught China along with others unprepared. The government moved back to Nanking only to find that a wide-scale civil conflict was to follow. As some industries returned to the coastal areas where transportation and raw materials are more accessible, labor suddenly became aware of its needs and grievances and tended to strike, while capital was reluctant to embark on the uncharted industrial seas before learning how far the obvious governmentalization will block or hamper private enterprise.

Shortage of skilled labor was still so acute that wages, for the first time in peacetime China's history, have occupied a large percentage in the cost of production. This together with a low purchasing power has forced many industries to keep their doors closed waiting for a favorable turn of the industrial tide. It was recently reported by

the Ta Kung Daily News that only the textile industry has been able to keep all its spindles running, others are either completely shut down or operating to a fraction of their capacity. While the government has been occupied with the problem of political maneuvering and busy in struggling against inflation which has been shaking the structure of the nation's economy. Labor agitations were spreading all over Shanghai and other industrial cities. The recent strike of the telephone and telegraph workers had twice, since 1946, paralyzed the country with a nation-wide stoppage in which more than 100,000 workers were involved. A new variety practised by the street-car unions at the beginning of this year was to give free rides to passengers in demand for a wage increase. This put the company at the mercy of the workers and settlement was reached with terms in favor of the unions.

Instability of labor is significant in post-war China. Before the war, the main problem for labor was security of tenure. Now the situation is reversed and the stabilization of labor has become the urgent problem for industry. This situation is likely to continue unless a strong government and political peace could be achieved.

CHAPTER III

CHARACTERISTICS OF CHINA'S LABOR AND UNIONS

(A) Some Peculiar Forms.

Although China is now on the march toward industrial revolution, she has by no means entirely broken away from various medieval systems and practices. Some of the peculiar forms of labor are near slavery, and can hardly be abolished over-night, since there is always an abundant supply of cheap labor in the country. The war-time shortage of man-power in the interior China no longer exists, and the civil strife between the Nationalist's and the Communist's armies seem to drag on indefinitely in the rich land of North China and Manchuria. This doubtlessly sets back industrial development to a great extent. Besides direct sufferings of the people from hunger and poverty, problems brought forth by oversupply of cheap labor will be intensified and the wound of the civil war will take China years to heal. This chapter will take up a few of these peculiar problems.

THE RECRUITING SYSTEM.

Owing to the gradual growth of population and the widespread economic depression in the rural districts, Chinese farmers have, in recent years, gladly permitted their wives and children to join factory work in the cities and have in this way given an opportunity to development of the recruiting system. In the weaving and spinning mills in China a large portion of the factory hands is procured through this type of recruiting agents. Sometimes these recruiting agents have a definite

agreement with the employers for hiring labor. Sometimes they have cultivated such influential connections with the factories that the latter are willing to delegate the function of hiring to them. The usual practice is for the employers to advance the travelling money to the recruiting agents who visit the surrounding country districts and bring the working girls into town. Eager to see their daughters or wives obtain any kind of work in the city, the farmers are only too glad to enter into an agreement with the recruiting agents whereby the latter undertake to find suitable jobs for the girls and then whatever training or preparation is required for getting into factory work. During the course of employment, the girls have to turn all their earnings over to the recruiting agents. Usually what the girls get from the recruiting agents in the way of food or shelter is of a very poor grade, and the agents are consequently in a position to make attractive profits out of the girls' wages. In some cases, the girls' account books are not in their own control, and so their wages are paid directly to the recruiting agents by the factory. It is estimated that after paying for the girls' food and shelter the recruiting agents can often retain over 60 per-cent of the girls' earnings, and are supposed to give a compensation of something between \$30 and \$40 to the girl's family at the end of the contracted period.¹ This is usually three years and occasionally one year, although in almost every case the contract is renewed until the girl reaches the age when the parents want to marry her off. The

1. Lowe, C.H., "Facing Labor Issues in China", Chapter 2, George Allen & Unwin, Ltd., 1934.

housing facilities provided for these girls are by no means comfortable, and since ordinarily the recruiting agent has a number of girls under his care, the beds are occupied all the time and are shared by both the day and the night shift workers.

The recruiting system was first adopted in the foreign-owned factories largely because during the early days of commercial intercourse the foreign managers did not wish to be bothered with the difficulties of the Chinese language and of handling the Chinese workers, and therefore depended upon certain local agents to do the hiring. However, the abuse of this system has been generally recognized and gradually abolished by the enforcement of labor laws.

THE LABOR CONTRACTOR

The labor-contractor exercises a pernicious influence in the mining enterprises in China. It has been estimated that of the two million mining population no less than 80 per-cent are affected by the labor contract system,¹ by which the mine owner delegates the hiring of labor to some middlemen, who are usually foremen and supervisors in the mine. Generally the mine-owner does not care how many workers the contractors hire or how these men are treated, but is merely interested to see that a certain quantity of mineral is extracted and delivered at a specified time. The arrangement which the contractor makes with the miner is usually a casual or temporary one, and often after the contracted piece of work is completed, the miners are dismissed and left helpless. They are paid on the basis of what they produce, but the pay is pitifully low when

1. p.492, "China Year Book", The Commercial Press, 1932.

compared with the wages in other important industries in China. The contractor usually deducts 10 to 20 per-cent of the miners' wages as his commission. He also retains from 30 to 50 per-cent of the miners' wages to cover their food. The working hours are usually long, and the mine owners bear no responsibility for the workers' welfare since they are hired through the contractor.

The evils of the labor-contractor system can hardly be exaggerated, it not only breeds misunderstanding between the workers and the mine authorities and prevents the workers from forming their legitimate trade unions, but also obstructs the development of a permanent well-trained group of miners to ensure a steady growth of efficiency in the mines.

The labor-contractor also functions in many other important occupations in China, as among the hotel and restaurant waiters, the wharf coolies, railway workers, and seamen. In Shanghai alone, no less than 70,000 to 80,000 wharf coolies are under the domination of the labor-contractor who usually retains 60 to 80 per-cent of what the steamship companies pay for the loading or unloading of cargo.¹

THE APPRENTICE SYSTEM.

The apprentice system is still current particularly in the handicraft and small-scale industries such as dyeing, tailoring, printing, leather-manufacturing, soap-making, metallic trade, carpet and rug manufacturing, money exchanges, drug shops and provision stores. It is

1. p.52, "Industrial Review", 1938, Kweilin, China

estimated that China has over 40,000,000 children of school age who are not yet provided with modern education facilities.¹ Since it is an inexpensive and convenient method of disseminating trade education and enables large numbers of poor children to solve the problem of their future livelihood, the apprentice system will undoubtedly continue to function for a long time to come, until the time when compulsory education could be enforced all over the country.

The period of apprenticeship ordinarily lasts from three to four years, though in some trades it runs into a much longer time. During the apprenticeship period, the master is responsible for the boy's food, lodging and medical care; while the apprentice, in return for his learning about the trade, is bound to serve his master for a specified period of time and is under the master's complete control. In addition to performing various duties in the shop, he is often called upon to give personal services to the master's family. After the apprentice has served out his term, he may then become a regular member of the guild. He can either set up his own business or remain in the master's shop and work for regular wages.

The poor classes in China have naturally found the apprentice system quite helpful and useful, as it offers their children an opportunity to make their own living during the period of adolescence and thus relieves the parents of much worry by putting certain definite responsibilities on the employer's shoulders. Employers have too often utilized the apprentice system for obtaining cheap and docile labor. There-

1. p.14, "Labor Monthly", February, 1937, Shanghai, China.

fore, in many enterprises the number of apprentices far exceeds that of the regular workers, and is surely too large to enable the boys to secure any helpful training from the master.

No legal protection for apprentices was attempted anywhere in China until December, 1929, when the Municipal Government of Greater Shanghai promulgated a set of Provisional Regulations concerning apprentices.¹ Of these Regulations the more important features are as follows:

1. When a factory or shop accepts apprentices, it must enter into a written agreement with their parents or guardians and must, in the said agreement, give the apprentices' names in full, their ages and birth places, the nature of work, to be undertaken by them, the number of working hours and the length of the apprenticeship period;
2. A factory or shop must maintain certain minimum standards regarding the number of apprentices and that of the regular workers;
3. No factory or shop shall accept apprentices who are below twelve years of age;
4. Apprentices who are below 16 years of age shall not work for more than eight hours per day, shall be engaged only in light work and shall not work between the hours of 8 p.m. and 6 a.m.;
5. No apprenticeship shall last more than three years;
6. The factory or shop shall bear full responsibility for the apprentices' food, lodging and similar personal wants;

1. Chinese Labor Year Book, 2nd Edition, Part III, pp. 228-229.

7. In lieu of the food and lodging provided by the factory or shop, apprentices shall receive one-fourth of the regular workers' monthly wage after they have served one - half of their term, and one-third of the regular workers' monthly wage after they have served two-thirds of their term;
8. A factory or shop may cancel its apprentice agreement when:
(a) it winds up its own business, (b) it finds the apprentice unfit for work or training, (c) the apprentice leaves his work without reason for more than three days, or (d) the apprentice refuses to obey the master's instructions or commits any criminal offense;
9. The apprentice or his guardian may claim damages from the factory in case of maltreatment or in case the apprentice is forced to perform services which are not specified in the written contract;
10. The factory or shop may claim damages from the parent or guardian if the apprentice breaks the contract without any proper reason.

In the Factory Law of the National Government of China, attention was also given to the protection of the rights and interests of the apprentices (for full text of the Factory Law, see Appendix I). It is obvious that the apprentice system itself cannot be totally eliminated unless there is widespread industrial development in China to absorb a considerable portion of the present labor supply, and an extensive promotion of educational facilities to enable the poor to acquire the means

of livelihood at practically nominal costs.

THE RICKSHA COOLIES

The man-power vehicle was introduced into China some seventy years ago and has now become popular in almost every town and city in China. The ricksha-puller himself does not own the vehicle which costs about \$70 apiece, but merely rents it at exorbitant charges from the ricksha companies. The high rentals charged by these companies is a frequent cause for complaining and social unrest. About 50 per-cent of what a coolie earns each day goes to the rental companies. Various attempts have been made to reduce hire charges and to organize the ricksha-pullers, but have proved ineffective on account of the lack of education and the mobile character of the coolies, and sometimes because of the opposition of the authorities. The age of the ricksha coolies varies from 20 to 45 years old. A survey made by Mr. C. H. Lowe shows that they stay in this occupation from one to five years.

Another kind of suffering is the practice of extortion on the part of certain "retired ricksha pullers" and similar groups of ruffians. Various methods are used. Sometimes the extortionist steal the rickshas away and will release them only after a certain "fine" is paid. Sometimes the ricksha-puller is deprived by force of his vehicle in some remote corners of the city, a large sum of money is paid for recovering the vehicle. According to Mr. Lowe, in Shanghai alone there are about 18,000 public rickshas and between 80,000 and 100,000 ricksha coolies, and so extortion amongst the ricksha population is quite a daily occurrence.

V-J Day brought to Shanghai, the biggest city of China, a great change. The foreign settlements, which had been for decades the symbol of foreign exploitation of Chinese economy, now came totally under control by the Chinese jurisdiction. With this change Mayor K. C. Wu of Shanghai declared in November, 1946 that all rickshas would be abolished within three years by reducing the number of these man-pulled vehicles one-tenth in every three months beginning January, 1947. However, this is not as simple a measure as it looks. The ever-expanding conflicts between the Nationalists and the Communists have been gaining impetus every day. Thousands of people have been driven hungry and homeless, and industrial developments all over the country badly hampered. Being unable to live up with the ever-increasing costs of production, the decreasing of purchasing power, and the high competition of foreign commodities, many small industries have to curb production or shut down completely. China could not today provide herself with daily necessities, let alone the extreme shortage of transportation equipments. The recent enforcement of strict import control has further handicapped the efforts of abolishing rickshas. In fact, to what extent this inhuman application of man-power could be replaced by animals and machinery depends on how soon both political parties will actually visualize that welfare of people shall come first and put political ambitions next.

TRUCK DRIVERS DURING THE WAR.

China retreated to inland after most coastal areas had fallen to the Japanese in 1938. When Hongkong and Indo-China were occupied by the Japanese after the Pearl Harbor attack, practically all China's com-

munications with the outside world were cut off except the Burma Road, which became the only inlet of military and industrial equipment. This stretch of nearly two thousand miles had made possible the continuous flow of essential war supplies. It also had created a peculiar laboring class of truck drivers. The tremendous profits made by these drivers had attracted many workers from all jobs and absorbed them into this occupation. Lack of organization and efficient administration by the transport authorities had encouraged these drivers to make an enviable sum of money by smuggling luxurious commodities from Burma into Kunming and Chungking, and to sell them at exorbitant prices. Income produced by a round trip from Rangoon for a driver would take any salary or wage earner months or years to get.

This multi-abnormal rate of earning together with the prolonged and indefinite end of the war naturally ruined the morality of these workers. They indulged in free spending, happy-go-lucky life. They created some rendezvous and made frequent but unnecessary stops in the journey for gambling, whoring and getting drunk. Not infrequently many of them lost in gambling and took flight after settling the debt with the load of their trucks.

In spite of corrupt and misbehavior, this class emerged with different regard by the society. Richness brings respect. Truck drivers gradually became pompous and looking upon all others as inferior. Their occasional marriage into the "long-gown" (which symbolizes cultured and educated people) families indicated that a change in social concepts has taken place which for thousand years had regarded

that only the cultured class were fitted to enjoy high standing.

(B) Child and Woman Workers.

Anyone who takes a visit to the industrial districts of China could meet one of the saddest sights of the children condemned to labor, especially in the silk filatures and cotton mills, the match factories and the mines.

In rural districts ten and twelve year old boys can be seen coming out of the mouths of primitive mines, straining at loads of coal attached by rope to their shoulders. They provide cheap labor than animals or machinery. Hundreds of pasty-faced young girls trudge home in the gray dawn of the early morning after twelve hours on the night shift in the cotton mills. Many of these children are brought by contractors from some famine districts or from rural areas where families are constantly on the verge of destitution. By paying the parents thirty or sometimes fifty dollars, the contractor gains a child for three or four years of slavery in mill or mine. All the child's wages go to the contractor who boards and keeps the child during the contract period. Child labor under any condition is pitiable; combined with the contractor system, it is fiendish. A few dollars in cash and several years of poorest feeding could take away the most precious life of a child and make it a slave, and this happens in a land which has boasted itself of abundance in natural resources.

There are thousands of children employed in the cotton mills. Here the working hours are surprisingly long. Even after enactment of the

Factory Law, some factories still employ children in two twelve-hour shifts. Some of the children are not officially employed, but they are allowed to come to the mills to be under the care of their mothers or to assist them at their piece work.

In many of the industrialized trades boys are apprenticed for three, five or seven years for work in which the processes are mainly repetitive and can be learned in a short time. Many employers use this apprentice system to obtain an abundant labor supply so cheap that it approximates slavery.

It is difficult to find precisely how many children are employed in factories. The statistics of child workers in the official reports are so contradictory that no accurate statement is possible.

The conservative Chinese tradition of the idea that woman's job is the care of the home and her family had passed since the development of the textile industry, which brought many women in China to the factory. Like the children, they have entered industry chiefly through labor contractors who have recruited them from the depressed rural districts and from the slums where the starving families from the farms take up their residence. Old traditions of woman's place in the home have broken down under poverty and distress. Women are employed in considerable numbers in some of the cigarette and match factories, but it is in the textile industry that they are employed in largest numbers.

Women in the textile industry earn an average wage of \$35 annually (prewar Chinese currency). To a farm family, receiving on an average an annual income of \$136,¹ an additional annual income of \$35 is welcome. It matters little that the hours of labor are long and the

1. Augusta Wagner: "Labor Legislation in China", pp.34-35, Yenching University Press, Peiping, China, 1938.

pay small; \$35 will support a member of the family for a year. According to the 1937 report of the Chinese Cotton Millowners' Association, there were 202,738 women workers, almost 62 per-cent, in cotton spinning and weaving mills (figures of recent years after the Japanese invasion of 1937 are not available). In her survey of twelve match factories, Dorothy Orchard found that the majority of the workers were women and children piece-workers, whose usual earnings were between 20 and 30 cents a day.¹ Long hours and low wages seem to be the fate of these groups of industrial workers, and these groups are mainly composed of women.

(C) Wages and Working Conditions of Labor.

The problems of wages in China is very complicated. Every factory has a different system of payment as well as rate. The Bureau of Social Affairs of the Municipality of Greater Shanghai gave the following summary of the wages received by the adult male workers in 1937:

		<u>Average Monthly Wages</u> <u>(Prewar Currency)</u>	
Spinning and weaving		\$20.66	
Chemical products		19.19	
Machinery and Building			
Materials		26.40	
Food Products		20.14	

As to the comparison of women and men workers in the following table from the Green Year Book published in 1936 is more or less helpful:

	<u>Men (per day)</u>		<u>Women (per day)</u>	
	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>
Cotton Mills	\$1.68	\$0.40	\$1.03	\$0.36
Silk Filatures	.50	.37	.58	.51

1. Dorothy Orchard: "Man Power in China", P.572, Academy of Political Science, New York, 1936,

	<u>Men (Per day)</u>		<u>Women (Per day)</u>	
	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>
Tobacco	\$1.31	\$0.37	\$0.83	\$0.33
Cloth	.88	.45	.67	.38
Stocking	.78	.31	.75	.32
Silk Weaving	1.72	.50	1.13	.41
Match	1.03	.45	.46	.23
Paper	1.47	.33	1.07	.12

From the above table we can see that women workers receive beggarly wages, which range from two-thirds to one-half of the wage of an adult male worker.

Besides the low wages, the growth of factories also brought with it the evil of long hours. The manufacturer, in their attempt to reap the greatest possible profit, seized upon the expedient of lengthening the hours of the workers. In the old handicraft shops, the workers could stop their work once in a while to take a rest or chat with fellow workers, which made the work more tolerable, while at the factory, working before a machine, a twelve-hour day is a solid twelve hours of work. Moreover, the bad practice of night shifts intensifies the evils of long hours. The workers on the day shift work from daybreak to evening and those listed on the night shift work from evening until dawn of the next day. The result is inevitable fatigue and serious accidents. Due to the lack of the statistical data, the figures of accidental rates could not be presented here.

In the following table the working hours of different factories in different industrial centers are recorded in order to give a general picture of the situation:

HOURS OF WORK IN SHANGHAI FACTORIES*

	<u>Maximum</u>	<u>Ordinary</u>	<u>Minimum</u>
Textile Industries	12	11	8 $\frac{1}{2}$
Chemical Industries	10 $\frac{1}{2}$	10	8
Printing	12	10	8
Machine Industries	11	9 $\frac{1}{2}$	8
Foodstuff Manufactures	11	9 $\frac{1}{2}$	8
Instruments, Furniture and Apparatus	12	9 $\frac{1}{2}$	8
Articles of daily use	10	9 $\frac{1}{2}$	8 $\frac{1}{2}$
Other industries	11	9	8

*Source: "Shanghai Industry", 1937, edited by the Bureau of Social Affairs of the Municipality of Greater Shanghai.

In regard to the living condition of the workers, the following paragraph is quoted from Mr. Fan Fu-An's book, "Chines Labor", which will give us a general picture of how the working people live:

"The writer visited a workman's living quarters very recently in Yangtzepoo. A room about ten square feet in size was occupied by a family of five. This was used as the sitting room, the bedroom, the toilet, the kitchen and what not. During my visit, the man was working in a factory. The wife was preparing food for the children, two boys and a girl. In the afternoon at six o'clock the man comes home and the wife goes to the factory at five-thirty, being a worker on the night shift. During the night time she is working in the factory and in the daytime she is doing her household work and taking care of a baby about three months old. What a terrible situation! Moreover, they have only a little poor food which is by no means nourishing enough to make them healthy people. Thinking of the baby and the woman, you will see what a tremendous problem there is in this family. As described by Mr. M. T. Tchou: 'The worst enemies are yet to come. Because the place is full of cesspools, the inmates are finally obliged to fill up the roads with earth in order to secure some sort of passage. But this makes the surroundings higher than the mud floors in the houses. So that when there is a heavy rainfall, the cesspools overflow and the water saturated with dirt and gas enters the houses, making them into human ponds. After a storm the writer has seen men and women walking in the huts with filth and water up to their knees, while their little ones were placed on islands formed out of beds, chairs and tables. Often the water does not subside for several days. A yet worse enemy is fire. These huts are built of such inflammable material that the touch of a lighted torch or red cinder is sufficient to plunge an entire colony in rapidly spreading fire, which no fire-combating agencies

can subdue. This calamity is now so common that hardly a season passed without hundreds of such huts being burnt.' This is the living condition of the workers. They are living under such a situation, they may lose their job any minute, and they may be killed by fire or disease any time without any protection. These poor workers will for their whole life-time be on the edge of starvation. From the social point of view, we have a multitude of sufferings from ill-literacy and sickness without the slightest enjoyment of life. It is important to note that disease and other effects of poverty on these working masses are not confined to them only, but will spread throughout the society as a whole. With such people in the country it is impossible to expect prosperity."

The above description is typical of the living conditions of Shanghai labor. Since outbreak of the war after July, 1937, this deplorable situation has been getting worse as a result of monetary inflation. The following indices show that the cost of living in 1941 was twice as high in comparison with the actual earnings of that year.

Indices of Actual Earnings, Cost of Living
(revised), and Real Wages, 1930-1941*

New Base: 1936 - 100

	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>
Actual Earnings	106.95	107.34	106.08	103.21	98.10	90.49
Cost of Living	108.75	106.63	100.64	92.32	92.54	93.45
Real Wages	98.34	100.67	105.41	111.80	106.03	96.83
	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>
Actual Earnings	100.00	84.83	92.38	119.09	242.47	467.65
Cost of Living	100.00	119.09	155.28	202.99	430.61	871.89
Real Wages	100.00	71.23	59.49	58.67	56.31	53.64

*Source: International Settlement Council,
Shanghai, 1943.

As the war came to an end in 1945, China merged with confusions of economic crisis to be followed by civil strife, which has

slowed down the industrial recovery and intensified the sufferings of the working class. These plus political agitations result in recent labor unrest and widespread of strikes which have been mentioned in Chapter II.

(D) Leading Labor Unions and Their Activities.

Though still in its infant stage, the labor union is so widespread in China today. The term "Union" is freely used by a variety of workers' organizations, ranging from the Chinese guild of the medieval type to the trade union in the Western sense. Before outbreak of the recent war, there were 872 unions with a total membership of 743,764.¹ Owing to lack of data in recent years, it is not possible to present here up-to-date figures of the number of unions and their members. However, at the end of 1942, China had 4033 registered labor unions with a total membership of 1,053,656.² The increase is largely due to regulations by which compulsory participation in the unions is enforced.

Labor unions in China may be generally classified into two categories: geographically and politically. In the first category there are the district labor union, the municipal labor union, the provincial labor union and the national federation of labor. The All-China Labor Federation was for many years the recognized spokesman of the labor movement in China, yet since the expulsion of the Communists from the Kuomintang the All-China Labor Federation has ceased to function publicly. Hence

1. The China Handbook, MacMillan Co., New York, pp. 465-476, 1943.

2. Ibid.

legally speaking there is no national federation of labor in China today.

Speaking politically, there are the "Red", the "Green", and the "Yellow" labor unions. The "Red" unions do not exist openly but are reported to be quite influential. The "Green" unions refuse both the direction of the Kuomintang and of the Communists. The "Yellow" unions are openly organized and run by the appointees of the various Kuomintang branches in China, and have enjoyed a rapid growth since 1927.

On July, 1928, the Central Executive Committee of the Kuomintang adopted the Regulations relating to the Organization of Labor Unions, which formed the basis of the new Labor Union Law promulgated by the National Government in 1929. Regulations concerning the Organization of Special Trade Unions such as railway workers' unions, seamen's unions, postal workers' unions and miners' unions were also passed by the Committee on July, 1928.

The most powerful labor unions in China are represented by Chinese Seamen's Union, Kwangtung Mechanics' union, Commercial Press Employees' union and British-American Tobacco Company Labor union.

During the period 1922-1927 when the Communists' influence reached its peak, there were held four national labor conferences which were of great importance in pushing forward the Chinese labor movement. Other measures of equal importance were the First and Second National Railway Workers conferences in 1924 and 1925, the National Postal Workers Conference in 1927. The above labor conferences are indicative

of the new class-consciousness and of the social unrest as a result of deplorably low wages, long hours of work, low standard and high cost of living.

In November 1939, there arose the China Labor Movement Association. The first significant dispute with which the Association was involved at this period was a strike among mechanics, conductors and chauffeurs of the China General Omnibus Company. Its success made it more influential and in June, 1940, a first reorganization took place, after which the Shanghai General Labor Union emerged.

(E) Problems of Labor Movement.

In spite of the rapid growth of labor unions and widening of their activities in recent years, there are many factors which affect the labor movement in China and the following problems are most significant:

1. Labor organizations in China have frequently allied themselves with political cliques and parties, and quite a number of unions are deliberately formed for political purposes. Many of the early labor unions were merely tools of the secret revolutionary societies, and naturally depended upon the latter for financial support. Under such circumstances many labor organizations were regarded as branches of political groups and their influence was greatly weakened.

2. Another problem is lack of coordination, unified action and national leadership. Each of the hundreds of labor organizations is practically independent of all the others. Each has its own aims, policies, methods and regulations. There is no bond that could unite all

of them into one single whole and no effective coordination in their working programs.

3. The social tradition in China has caused misunderstanding of the labor unions by the public. In anything like a strike or dispute between the workers and the management, the public will blame the workers before they take any time to study the actual cause of the strike or dispute. The general attitude of the public towards labor movement is very unfavorable to the workers indeed.

CHAPTER IV

LABOR LEGISLATION IN CHINA

(A) International Labor Organization, a Stimulative Force

The International Labor Organization was inaugurated in 1919, but it was not until the twelfth session of the Conference in 1929 that China began to show an active interest in it by sending a complete delegation with representatives of employers, employees and the government.

However, as early as in the very first session of the International Labor Conference held at Washington, D. C. in 1919, special consideration was given to labor conditions in China by the Commission of Special Countries, which recommended the adoption by China of the principle of factory legislation and the principle of a ten-hour day or a sixty-hour week for adult workers, and an eight-hour day or a forty-eight-hour week for child workers under fifteen years of age. As a consequence, the Ministry of Agriculture and Commerce at Peking promulgated in 1923 the Provisional Factory Regulations. Unfortunately these Regulations were never carried out.

In the various sessions of the International Labor Conference to which the Chinese delegate repeatedly brought forth that the abolition of extra-territoriality should be as a preliminary to the successful application of China's labor laws to nationals of certain countries which still enjoyed the right of extra-territorial jurisdiction was submitted again and again but was strongly opposed by the government delegates from Great Britain, France and Japan. The Chinese workers' delegate also took

the opportunity of lodging strong protests against the prohibition of labor unions by foreign factories in China on the ground that freedom of association was allowed all over the country. Since the Conference was dominated by some big Powers which did not want to abandon their special privileges in Chinese territory, none of the above requests was adopted by the Conference. This unfair practice by the foreign countries aroused bitter criticism among labor groups in China and widened the gap of collaboration between I. L. O. and China.

However, the opening of a Correspondent Office of the International Labor Office in Nanking in July 1930 took a further step of promoting close relations with the Chinese government. Efforts of I. L. O. to improve the conditions of workers in China centered on (1) discovering and making known the conditions of labor in China; (2) securing the ratification of the draft conventions adopted at its conferences and supporting the Chinese government in establishing labor legislations; and (3) rendering help in creating a factory inspectorate and solving the jurisdictional problems concerning the enforcement of that legislation in the foreign-controlled areas of China.

While the official attitude of the Chinese government was obviously in favor of working hand in hand with I. L. O. and trying to bring about better and more uniform labor standards, the rank and file of the labor groups showed little interest toward the work of the Organization. Now the Far Eastern Economic Commission sponsored by the United Nations has been on its first session in Shanghai since early in June, 1947. Undoubtedly labor situations will be one of the main topics

to be discussed. The complicated problems of extra-territorial rights now belongs to the past, therefore, it is necessary that ways and means should be found to give immediately Chinese labor unions a better understanding of the functions of this Commission, and to bring about more effective cooperation in establishing concrete programs for application in China.

(B) Labor Laws Enacted by the Chinese Government

The development of labor legislation in China is a recent phenomenon. Prior to the Chinese Revolution in 1911, working conditions were almost entirely governed by traditions, customs and personal relationships. The right of association was not sanctioned by the Chinese Empire.

Under the Peking Government, which was under control by the warlords, no positive legislation with regard to the workers' right of association or working conditions was taken until 1923, when the Ministry of Agriculture and Commerce in Peking promulgated the Provisional Factory Regulations. These Regulations were stimulated and urged by the International Labor Organization and constituted China's first attempt at modern labor legislation.

Under the Nationalist Government the workers' position has been somewhat improved. At the first Kuomintang National Congress held at Canton in 1924, a resolution was adopted to enact labor laws, to take steps in improving the conditions of the workers, and to safeguard the freedom of association. Consequently the Nationalist Government in Canton promulgated in November, 1924 the Trade Union Regulations Act which included:

1. Recognition that trade unions and employers' associations are on the equal footing;
2. Recognition of the principle of freedom of speech on the part of the trade unions;
3. Recognition that trade unions shall have the right to conclude collective agreements with the employers;
4. Recognition that in case of disputes a union shall have the right to ask the employers to set up a joint arbitration committee and the right to apply to the proper administrative authorities to conduct an inquiry or institute arbitration proceedings;
5. Recognition of the right to declare strikes;
6. Recognition that trade unions shall have the right to participate with employers in regulating hours of work, working conditions and factory hygiene;
7. Recognition of the principle that in disputes in a private industry, the Government authorities shall only investigate or arbitrate but shall not enforce their decisions by compulsion;
8. Guarantees to trade unions for the security of their property and belongings;
9. Provision that the prohibition of meetings and of association contained in the Provisional Penal Code of 1912 and the law relating to the Preservation of Public Order of 1914 shall not be applicable to trade unions;
10. Encouragement of the principles of organization by industry.

However, as labor agitations began to spread after enactment of the above Regulations, the National Government in Canton promulgated

in 1926 the Regulations governing the Organization of Committees for the Arbitration of Disputes between employers and employees. By means of these Regulations a procedure for compulsory arbitration by a committee of one government delegate, two employers' delegates and two workers' delegates was instituted.

Between the years 1927 and 1932 the Ministry of Industries of the National Government in Nanking promulgated a series of laws concerning labor. In June, 1928, the Provisional Regulations relating to the Settlement of Disputes between Capital and Labor constituted the first labor law of general scope issued by the National Government since its inauguration in Nanking.

In October, 1929, a Labor Union Law was promulgated. It specifies that "the competent Authority of a union shall be the provincial or municipal government; to organize a union, an application in duplicate for registration shall be submitted to Competent Authority, which shall give decision within two weeks, upon obtaining official sanction for registration, the labor union shall submit to the Competent Authority names, addresses and antecedents of the officers elected; membership lists must be submitted to the authorities twice annually; and a union may be dissolved in certain circumstances. -----"

In December, 1929, after prolonged study and preparation a Factory Law was promulgated by the National Government of China. It was revised on December 30, 1932. In general terms the Factory Law regulated such matters as physical conditions and hours of work, wages in relation to living costs, compensation for accidents, termination of employment, factory councils and apprenticeship. (See Appendix I for complete text of the Factory Law translated by Lowe Chuan-hua and N. F. Allman).

After outbreak of the Sino-Japanese conflict since July, 1937, the National Government had been following a wartime labor policy based on Article XXV of the Program of Armed Resistance and National Reconstruction which includes:

1. Strengthening labor union structure;
2. Promoting and encouraging social welfare;
3. Organizing workers in war and guerilla areas; and
4. Bringing about closer cooperation with the international labor movement.

On May 5, 1942, the National General Mobilization Act was enforced. In accordance with this Act, the government may issue ordinances to prevent or settle labor disputes and may strictly prohibit lockouts, strikes and other acts hampering production.

(C) Problems of Enforcing Labor Laws

Divergence of Opinions Between Employers and Workers.

A good deal of criticism has been advanced against the various labor laws. In the first place, the laws are considered to be too conservative by the labor leaders, and they do not contain as many liberal provisions as the workers would like to obtain; hence their enforcement would mostly benefit the capital. For instance, the Labor Union Law is criticized as having put too many restrictions upon organized labor. The right to declare strikes is deliberately left untouched so as to enable the authorities to be the sole judge in deciding what labor activities are harmful to the public peace and what are not. On the other hand, the

employers have also voiced strong protests against the Factory Law, arguing that its enforcement would bring an unreasonable burden on many Chinese industries which are still in the infant stage. The Law is regarded as not idealistic by those who are not used to state intervention and regulation in labor affairs. It has also been pointed out by many industrialists and economists that labor legislation in China can never be successfully enforced as long as political disturbances continue to weaken the national economy and obstruct the smooth running of industries. For without peace and prosperity no system of labor organization and factory supervision will be of any help to the workers.

Problem of Extra-Territoriality

Although Russia relinquished her extra-territorial rights in 1924, while Germany and Austria lost theirs in World War I, still many foreign countries enjoyed these special rights in China until 1942. Under these rights foreign residents were subject to the laws of their own countries and tried in Consular Courts, and the authorities in the foreign concessions and Settlements in China regulated factory conditions in their own ways, and thus evaded the Chinese Factory Law.

Since many factories in Shanghai, the industrial center of China, were located in the foreign Concessions and Settlements, and a good number of their owners were nationals not amenable to Chinese jurisdiction, the existence of these foreign administered areas in Shanghai raised many serious jurisdictional issues. The Chinese authorities repeatedly claimed the right to inspect factories in the Settlements aiming at eventual control of all questions relating to labor in Settlement enterprises, but the claim brought no success ever since.

The system of Concessions and Settlements divided Shanghai into three areas, administered by three separate and mutual independent authorities. The Chinese area usually known as the Greater Shanghai, the French Concession, and the International Settlement formed the trio, each covered certain specific areas for administration. The various sections of Shanghai thus differed greatly in legal status. Any system of labor legislation to be effective must be uniformly enforced, but there was with this system of Concessions and Settlements no single authority whose jurisdiction would have been accepted for all Shanghai, nor was it possible to reach an agreement for the uniform enforcement of legislation by the separate authorities.

Although at several sessions of the International Labor Conference, the representatives of the Chinese government had declared it impossible for China to give full effects to international labor conventions as long as she did not possess the necessary authority over the whole of her territory, and although the Chinese Government had repeatedly pressed for an early settlement of the issue of extra-territoriality with the foreign countries, very little had been made until October 10, 1942, when the Governments of Great Britain and the United States announced the relinquishment of their extra-territorial rights in China. Although the whole area of Shanghai was under Japanese occupation by that time, the intention was that the actual sovereignty of the International Settlement in Shanghai was to pass into the hands of the Chinese Government when the Japanese had been expelled. This action brought to an end a century of special privileges for citizens of the two countries concerned, and heralded the ending of Concessions and Settlements after the war.

Lack of Efficiency in Industrial Management

Those who are familiar with the practices of Chinese businessmen can easily perceive that the backwardness of China's industries is due not so much to any burdens imposed upon them by labor regulations as to their own obsolete and inefficient methods of management. The chief problem with Chinese industrialists is not so much the Factory Law as the lack of a scientific spirit and modern methods of business administration. Governed largely by traditional commercial usages and family considerations, Chinese employers are usually reluctant to employ experts to improve their plants. It has been asserted by a spokesman of the China Institute of Scientific Management that more than 90 per-cent of the industrial failures in China are due to bad management. In very few other countries today are the workers as poorly paid as they are in China, and nowhere else do the workers have as long working hours as the Chinese.

The Factory Law has aimed to remedy this situation by rendering it imperative for the employers to adopt modern principles of factory administration and thus increase the efficiency of labor. But a handicap involved in the enforcement of the Factory Law is the present inability on the part of both the factory authorities and the workers to supply certain indispensable information regarding working conditions to the factory inspectors. As modern record-keeping and factory management are only recently introduced into Chinese industries, they will require considerable time and financial aid to build up the necessary facilities for collecting the data which the inspectors must have in their efforts to apply the Factory Law. These difficulties are not only confined to the employers, for in a number of particulars the workers themselves have no records to

produce to facilitate the work of the factory inspection. Such things as birth and health certificates are practically unknown to the masses of Chinese workers. Pending the development of adequate public health facilities and the enforcement of a system of birth registration in China, temporary arrangements will have to be worked out in securing these data. Other methods such as job analysis and evaluation have to be effectively carried out in order that efficiency could be obtained.

Need of Strong Public Opinion.

Industrial and labor regulations have never come into being without strong opposition. What is greatly needed in China today is the cultivation of an intelligent and favorable public opinion toward improvement of labor legislation. At the present time, the Factory Law can be applied only in factories where thirty or more workers are regularly employed and where the machinery is driven by electric, steam or water power. The small industrial establishments, which are far more prevalent in China than the large factories, present problems that require equal attention and should be dealt with by appropriate measures. A strong public opinion is needed to foster a better legislation so that labor conditions could be brought up to modern standards of efficiency and industries to a basis of justice and prosperity.

That the majority of the Chinese people can neither read nor write is a commonplace that needs no detailed reiteration here. It was estimated by the Ministry of Education in 1936 that the number of people between the ages of 16 and 60 who had not had elementary education constitutes 46.5 per-cent of China's total population, or over 202,784,000 people.¹ The number of high schools and vocational institutes is still

1. Current Events Year Book, Current Events Ass'n, p.550, Nanking, 1936

pitifully small. It was estimated that more than 40,000,000 children of school age have yet to be provided with educational opportunities. There are less than 1500 high schools in the whole of China, which means that there is only one high school for every 300,000 Chinese.¹

Higher education in China is equally undeveloped. It was roughly estimated that there are only 60 regular college students for every million Chinese, as compared with 6,937 for every million Americans.² The above information is sufficient to indicate that the existing educational facilities in China are far from being adequate to meet the needs of her vast population or the demands of any scheme of national reconstruction. It is often said that China's greatest asset is her manpower, but without extensive educational development her teeming millions are more like liabilities than assets in the balance sheet of national rehabilitation.

Moreover, the development of modern education in China has largely concentrated in the urban regions and is too removed from the masses in the interior. Since Chungking became war capitol in 1939 and through the subsequent years, this extremely unbalanced situation has been relieved somewhat, but is still far from being satisfactory. Unless a comprehensive and far-reaching educational program is extended to benefit the whole populations, how could one expect that labor legislation would be effectively carried out without being abused, how could one expect that labor force would be strongly organized to play their

1. Ibid, p. 547.

2. Educational Review, Chung Hwa Book Co., Vol. 19, p. 46, Shanghai, 1932.

role as bargaining units in modern industry.

(D) Protection of Child and Woman Workers.

The deplorable conditions of child and woman workers have been mentioned in Chapter III. The Second National Labor Conference held in May, 1925 made the following resolutions to protect child and women workers:

1. The employment of women and children under thirteen years of age in dangerous occupations, in mines and quarries, and any occupation that is considered as detrimental to health should be prohibited.
2. The employment of pregnant women and nursing mothers at night work and in excessively heated workrooms should be forbidden.
3. A vacation of eight weeks with pay for women workers before and after childbirth should be granted.
4. Special rest periods should be given to pregnant workers and nursing mothers.
5. The working day for women and children should not exceed six hours and they should be granted a continuous rest of 42 hours a week.
6. Wages for women and children should be the same as those paid for the same type of work to men.

It seems that the above resolutions if strictly enforced, would very much benefit the child and women workers. But these resolutions were never carried out because the radical changes were introduced untimely and inapplicable at that time when political instability was at its worst. However, in 1929, a Factory Law was promulgated and revised in 1932 with the following stipulations to protect child and women workers:

Article 6: Male or female laborers between the ages of 14 and 16

shall be deemed child laborers and are permitted to perform light or easy work only.

Article 7: Child and female laborers shall not be employed in the following work:

1. In handling explosive, inflammatory or poisonous articles;
2. In places which are exposed to dust or poisonous odors and gas;
3. In fixing, cleaning, oiling, inspecting or repairing moving machine, power transmitting equipment, or risky parts thereof, or in adjusting belts and ropes;
4. In connecting highly charged electric wires;
5. In handling molten metals or residue thereof;
6. In handling furnaces or boilers;
7. Or other work that is immoral or of a dangerous character.

(E) Machinery for Labor Administration

Unlike the industrial nations of the West, China has not yet developed special government organs for the administration of industrial and labor legislation. Whatever simple machinery she now possesses for administration of labor affairs is essentially of an inexperienced and unstable character. The organs for administration and enforcement of the Factory Law are the local authorities and municipal governments under the direction and supervision of the Ministry of Economic Affairs. The local authorities are empowered to register all factories and keep records of all workers in respect to age, nativity, date and conditions of employment, types of work, remunerations, workers' skill and moral character, conditions of work, causes of accident, causes for dismissal and so forth.

But all in all, there has not yet existed any centralized authority to see that Factory Law will be uniformly applied in the entire country. It is true that without political stability and a strong centralized government, such necessary steps as would ensure a uniform and effective application of the Factory Law can hardly be achieved. Many departments of the Chinese Government are built upon political affiliations and personal relationships, therefore they are constantly subject to change. One of the prerequisites to successful and effective factory inspection is that the persons engaged therein should not be subject to frequent change, but be permitted to accumulate their experience and in time develop a special technique in carrying out their duties. Hence the necessity of a competent factory inspectorate can hardly be overlooked. A start should be made in selecting, training and bringing together a group of factory inspectors, and a system of factory inspection built up under the direction of a central government agency.

CHAPTER V

LABOR POLICY OF THE NATIONALIST PARTY

(A) Attitudes Toward the Labor Movement

Since the rise of the Nationalist Party, known as the Kuomintang, in 1911, a Socio-economic policy has been laid in detail in Dr. Sun Yat-Sen's Principle of the People's Livelihood, which aims to control the growth of private capitalism, to equalize land ownership and to improve the living conditions of the masses. The Kuomintang was fully aware that, in order to bring the Revolution into effect, the cooperation of the masses could not be overlooked. Dr. Sun, the founder of the Kuomintang, advocated a liberal attitude toward the labor movement and was personally responsible for the organization of some labor unions in Canton. Apparently a positive policy of stimulating the rise of organized labor was adopted by promulgation of the Trade Union Regulations in 1924, by which a legal status was given to the labor organizations.

However, when the Communists were evicted from the Nationalist Party since 1927, the Kuomintang turned to curb labor activities on the ground that the excessive labor agitations had hampered the Northward March in fighting against the warlords. In the following years the Kuomintang has repeatedly pointed out the danger of class-war and has emphasized that the only profitable means of raising the status of the workers lies in their emancipation from the evils of militarism and feudalism, and from the exploitation of the imperialists and the Communists. The workers are constantly advised to seek their advancement by increasing the well-being of the nation as a whole instead of creating trouble for themselves and causing inconvenience to the public.

(B) Three Stages of Labor Policy

The labor policy of the Kuomintang may be reviewed in three stages:

First Stage. During its cooperation with the Communist Party, the Kuomintang permitted the propagation of radical propaganda and entertained a drastic program of unionization in the country. The above measures were taken in order to gain the support of the masses and to expedite the completion of the National Revolution. A special department of labor was set up in the Central Kuomintang headquarters in Canton to carry out this policy and to direct labor activities in various parts of China. Between 1919 and 1925 a number of labor unions were actually, though secretly, formed with the help of the various Kuomintang branches. In its First National Congress held in 1924, the Kuomintang passes a resolution to enact labor legislation, to improve the workers' living conditions, to protect the labor unions and support their development. A specific labor platform was adopted by the Congress and is now reproduced briefly as follows:¹

1. Enactment of a minimum wage law and other labor laws.
2. Enforcement of the eight-hour day and prohibition of work beyond ten hours per day.
3. Protection of child and women workers by prohibition of the employment of persons below fourteen years of age, regulation of the apprentice system, and granting of sixty days' leave of absence, with pay, for women workers during the period of childbirth.
4. Improvement of sanitary and health provisions in the factories.

1. Central Training Corps: "History of the Revolution", Chungking, 1944.

5. Giving workers the freedom to hold meetings, to publish and to strike.

6. Introduction of social insurance system.

7. Promotion of workers' education.

8. Abolition of the labor-contractor system.

9. Promotion of the cooperative movement.

Second Stage; Since the eviction of the Communists from the Nationalist Party in 1927, the labor policy of the Kuomintang has become much more moderate and even reactionary in some aspects. During this period between 1927 and 1937, the Kuomintang took up the task of reorganizing the labor unions and many Communist leaders were purged. In every city or town where labor unions existed, a Labor Union Reorganization Committee was set up by the local Kuomintang, and all the labor unions had to go through a period of reorganization in accordance with the rules and procedures promulgated by the Central Party authorities. The Kuomintang justifies this action by claiming that if it does not direct the Chinese labor movement, the latter will easily become a victim of Communist propaganda and manipulation, and that the Kuomintang should continue its control and training of the labor movement until it has built up a leadership which will be capable of taking up the burden of social and industrial reform.

The National Industrial Conference held in November, 1930, passed a resolution regarding labor relations which is considered as much more moderate than the policy adopted in the previous period. The resolution contained the following recommendations:¹

1. C. H. Lowe: Op. cit., p. 77

1. Employers and employees should understand that both employers and employees have to depend upon factories as media of production, and both would suffer in case of labor disputes;

2. Agreements should be signed by an equal number of representatives from both employers and employees and should be registered with the local authorities;

3. Agreements between employers and employees should have provisions regarding hours of work, rates of wages, rewards and fines, etc.;

4. Wherever possible factory owners should open schools for the education and training of workers in accordance with the principles of workers' education drawn up by the Ministry of Industry, Commerce and Labor;

5. Owners of factories should provide for safety devices and sanitary equipment commensurate with the various industries;

6. Wherever possible owners should provide workers' insurance, saving societies and cooperatives;

7. Wherever possible owners of factories should establish living quarters for workmen and appoint a secretary to look after their well-being and to develop their spirit of self-government;

8. Owners should encourage workers to save part of their bonus with the view of buying shares in the factories and when shares are offered in the open market, the workers should be given preference to buy;

9. Wherever possible the working capacity of the average worker should be ascertained and recorded on each machine and rewards and penalties shall go by these records.

10. Persons directing the labor movement should be familiar with the Kuomintang principles and its labor policy.

Third Stage. Since the beginning of the Sino-Japanese war in 1937, a Labor Bureau was created under the Ministry of Social Affairs which has been following a wartime labor policy based on Article XXV of the Program of Armed Resistance and National Reconstruction of 1937. The Policy includes; strengthening labor union structure, organizing workers in war and guerilla areas, promoting and encouraging social welfare, promoting the development of industrial cooperatives, and bringing about closer cooperation with the international labor movement.

In accordance with the National General Mobilization Act which was enforced in May, 1942, the government may issue injunctions to prohibit lockouts, strikes, and other agitations which may hamper production. As a result, labor activities during the war were greatly reduced.

A social insurance program was scheduled to be instituted in 1943, but was put off owing to financial difficulties caused by the tremendous war expenditures. However, the government promulgated in January, 1943 a set of regulations governing the appropriation of a welfare fund. According to this law, any enterprise should set aside from one to five per-cent of the total amount of salaries and wages plus allowances earned by the workers should be set aside by the employers every month for the promotion of welfare projects, while one-half of one per-cent of the salary or wages plus allowances will be taken from each individual employee.

(C) Actual Improvements Made by the Kuomintang

The working conditions of the Chinese labor and the promulgation of the various labor laws have been discussed in the previous chapters.

Since the political disturbances during the past three decades have put the country ever in a state of war and poverty, many of the high principles and the generous promises made by the Kuomintang still remain untouched. These principles and promises have been further discounted by the change of its labor policy from a liberal attitude toward labor to strictly controlling labor activities. However, some improvements have been contributed by the Kuomintang and are briefly outlined as follows:

1. A legal status was given to organized labor, thus precipitating the growth of labor organizations which resulted in the acquisition of numerous benefits such as increase in wages and better working hours.

2. For the first time in the history of China, modern labor laws were formulated and certain stipulations, although to a limited extent, were enforced.

3. Enforcement of the Labor Union Laws has actually brought the labor-contractor system to an end, thus thousands of workers, particularly children and women workers could be free from the exploitation of labor contractors.

4. Promotion of workers' education has been made effective by compelling all factories and commercial establishments which employ between 50 and 200 workers to open at least one school for adults who work, and one more for every additional 200 workers. It is also stipulated that the study hours should not be less than eight per week, and should be conducted after the regular working hours. Although this educational plan was temporarily interrupted during the war, it has served as a practical basis for the employers to spread education among the workers in a period when the government is incapable of financing any large-scale educational program.

5. Institution of experiments have been started since 1938 for developing the industrial cooperatives which will be further discussed in Chapter VIII.

6. New administrative machinery regarding labor affairs has been established, such as the Bureau of Social Affairs of the various municipal governments. As required in the National General Mobilization Act of 1942, the Labor Bureau was created under the Ministry of Social Affairs to administer: (a) matters pertaining to the investigation, registration, requisition and classification of man-power; (b) promotion of labor service; and (c) legal protection of labor.

(D) Defects of the Kuomintang Policy

The drastic change of the Kuomintang's labor policy since 1927 has aroused severe criticism. The more intelligent and far-sighted groups in the Chinese Labor circles have become increasingly dissatisfied with the policy of controlling labor unions. Signs of opposition may be easily seen wherever the Kuomintang has attempted to reorganize labor unions in accordance with its own liking and wherever it has tried to prevent the growth of any coordinated effort on the part of the labor leaders to put their programs on a city-wide or nation-wide plane.

Radicals and opponents of the Kuomintang have further denounced the repressive measures by attacking Kuomintang of leading China toward Dictatorship. Active labor leaders have often been arrested and imprisoned on the ground of Communistic activities. The labor laws hitherto promulgated by the National Government are regarded as unconstructive to the development of a strong independent labor movement. As a matter of fact, they

deviate widely from the standards set forth by the various national congresses and the pronounced policies. In many parts of the country today the Kuomintang branches merely utilize their control of labor unions for their own selfish purposes, and have shown very little progress in aiding labor to improve its economic conditions.

It is unfortunate that the Kuomintang has been troubled with internal dissensions in recent years to be followed by a long exhaustive war with Japan, hence it has not been in a position to face squarely the social problems and needs of the people. Moreover, divergent opinions within the Party have become wider when the voice of the liberal elements in the Party has too often been over-ruled by a few reactionists who exert more influence. Even some of its most faithful supporters have become dissatisfied with the repressive attitude which their more powerful colleagues have been using in dealing with labor affairs. Such a course of action has not brought the Kuomintang any positive results; on the contrary, the Party has gradually lost the allegiance of the great masses in China, as can be seen from the rapid expansion of the Communists during and after the recent war. Unless the Kuomintang realizes the wisdom of adopting a more far-sighted and more tolerant policy towards the labor movement, the so-called directing efforts which the Party has been exerting among the rank and file of Chinese labor will not bring any successful result.

CHAPTER VI

LABOR POLICY OF THE COMMUNIST PARTY

(A) Rise of Communism in China

The rapid growth of Communism since 1919 has greatly affected the economic and social conditions in China. Within a little more than a decade the Communists have apparently sprung up from Marxian theorists into a powerful political force and they now command among the workers and the peasants an influence that is bound to produce far-reaching effects in the future of China. Since the split between the Kuomintang and the Communist Party in April, 1927, continuous attempts have been made by the National government to exterminate the Red menace from the political arena. But despite these efforts the Communists have steadily and patiently built up strong armies which now threaten the peace in China and the Far East.

The development of Communism in China may be divided into three periods as follows:

Period of Secret Organization, 1919-1923. During its early stage, Communism was largely a question of academic interest and crept into the minds of the student and intellectual class under cover of the literary renaissance and the new-thought movement. Shortly after the Student Movement of 1919, a society for the study of Marxism was formed by a group of intellectual leaders in Peiping, and a Young Socialist League was organized by the radical groups in Shanghai under the direction of a Soviet agent named Voitchinsky.¹ In September, 1920, a number of radicals met in Shanghai and started preparations to organize the Chinese

1. G. Sokolsky: "The Tinder Box of Asia", Doubleday Doran & Co., New York, p. 322.

Communist Party, which was formally inaugurated in Canton in 1922.

In spite of the feverish efforts on the part of the Communists to stir up a revolutionary spirit and a class-struggle among the workers during this period, there was no indication of an immediate social revolution. Although Communistic literature and pamphlets had been distributed in large quantities all over the large cities, the overwhelming majority of the proletariat class were reluctant to accept their doctrines wholeheartedly. Hence the Communistic activities during this period were limited to propaganda and secret organization.

Period of Political Expansion and Cooperation with the Kuomintang, 1924-1927

With the reorganization of the Kuomintang in 1924, Communism acquired a more active platform. Armed with a legal status, the Communists put forth a nation-wide scheme of unionization. Through the influence of Michael Borodin, the political advisor to the Nationalist government sent by Moscow, many of the Communists were appointed to key positions in the Government and the Kuomintang machinery. By May, 1925, when the Kuomintang passed a resolution to work hand in hand with Soviet Russia for pushing north the Revolution, the Communists had reached the top of their power in South China. Red labor unions began to grow rapidly, particularly in Kwangtung Province. The first, second, third and fourth national labor conferences were all convened during this period of expansion. No less than 270 labor unions became affiliated with the Labor Representatives' Association, which was organized under direction of the Communists.¹

During the Northern Expedition (1926-1927) of the Kuomintang

1. C. H. Lowe: "Facing Labor Issues in China", George Allen & Unwin, Ltd., London, p.148, 1934.

armies to fight the warlords, the Communists enjoyed a rapid growth in power and in number, and gradually expanded their influence in Kiangsi and Hunan Provinces. They even obtained a controlling position in the Nationalist government when moved from Canton to Hankow in 1927.

The most significant event in this period was the calling of the Pan-Pacific Trade Union Conference in May, 1927, in which Communists from all the Pacific as well as some of the European countries were represented. The Conference adopted the following program for the improvement of labor conditions:¹

1. Introduction of the eight-hour day;
2. Introduction of a regular continuous forty-two hour weekly rest;
3. Introduction of social insurance in case of illness, accident, incapacity and unemployment, and the whole burden of such insurance to be borne by the employers and the government;
4. Prohibition of night work for women; eight weeks of paid vacation before and eight weeks after confinement;
5. Absolute prohibition of the sale and purchase of children for purposes of exploitation; prohibition of child labor for all purposes under fourteen years;
6. Equal wages for equal work;
7. Freedom of organization, freedom of assembly, freedom of press, and freedom to organize and carry on strikes;

1. China Year Book, Commercial Press, Shanghai, 1926, p. 1026.

8. Introduction of a system of labor inspectors who are to be elected by the trade unions;
9. Abolition of corporal punishment, fines, the practice of docking wages or of paying wages with products from the factory stores;
10. Organization of labor pickets to fight against Fascism and blacklegging.

Period of Terrorism, 1927-1937. While it was realized that the Communists had been gaining influence within the National Government, the purge began in April, 1927 to evict all the Communists from the Kuomintang. Most of the Red labor unions were dissolved and many of their leaders killed. The split between these two parties had forced the Communists to resort to secret and terrorist methods of underground work, although a number of their own members were not in entire agreement with these violent tactics and subsequently formed an opposition group-the Trotskyists-within the Communist Party.

Being unable to conduct their activities openly, the Red labor unions had suffered serious reverses in the following years. However, they turned to adopt more radical measures as may be seen from the resolution passed at a secret plenary session of the All-China Labor Federation in February, 1928, with purposes:¹

1. To regard the overthrow of Kuomintang rule and imperialism as the chief and most urgent task of the Red labor unions in China;
2. To give special attention to organizing the seamen, the miners, the railway workers, the textile workers, the metallic workers and the

1. Chinese Labor Year Book, 2nd Edition, Part II, pp. 192-193.

industrial workers in such important centers as Shanghai, Tientsin, Tsingtao, Hongkong, Canton and Wuhan:

3. To give more effective direction to the All-China Labor Federation;
4. To participate in the mass movements in Shanghai;
5. To send representatives to direct and intensify the class-struggle in various parts of the country;
6. To organize institutes to train secretaries and special workers for the Red labor unions;
7. To give greater emphasis on propaganda and educational activities; and
8. To study and collect information regarding the economic and labor situation in China.

Period of Military Expansion, since 1937. Adoption of the above policy by the Communists was followed by coup d'tat. The National government then declared the Communist Party as rebellious bandits and the Red labor unions outlawed. This action together with maneuvering of the Kuomintang troops from all sides converging on the Kiangsi Provinces, where for years had been the Communists' nerve center, had forced the Reds to retreat inland. They took up the torture courageously by travelling afoot for several months across the country, and were able to settle down finally along the border provinces of Kansu, Ninghsia, and Shensi, with Yen-an as their headquarters. These remote areas kept them out of reach of the government armed forces and brought them closer to the Soviet Russia.

When the Japanese invasion began in July, 1937, the Communists

declared their willingness to cooperate with the government in national defense. Thus the Red Army with 50,000 men was recognized by the government as regular combat forces and was appointed to take the defense of Shensi and part of North China. While the whole country was engaged in severe fighting against the Japanese, it gave the Communists a good opportunity of expanding their military power under the cloak of national defense. Partly by arousing patriotism of the people, partly by promising the peasants of land redistribution after the war, they have been able to build up a good size of armed forces out of the farming population within a short period. The heavy taxation levied by the government to meet the tremendous war expenses had further alienated the peasants who turned to look at Communism for a promising future to relieve them from poverty.

The sudden end of the World War II found China still in chaos and confusion, with the both parties again racing ferociously for power. It is estimated that the number of the Communists' armed forces have amounted to approximately 500,000. The Yalta Agreement made a mistake that no human effort could now expect to amend. Russia acquired Dairen and Port Arthur overnight without paying any price. These two ports now serve as supply bases for the Communists and as super-structure for drawing up iron curtains in the Far East. Although General George C. Marshall, as special envoy to China of President Truman, had exerted his best efforts trying to bring up a coalition government in China and make her a stronghold of the future in the Far East, many had doubted at the beginning that his influence would bring any success while the political cliques in the both parties have aimed to put each one's hand on the other's neck.

For a century, China has suffered from poverty and internal strife. Eight years of the long and bitter war earned her a chance of revival, but it seems that this chance is fading away, and China may need another long war to change her fate.

(B) Labor Policy of the Communists

While very little reliable information is available regarding the actual labor conditions in the Communistic districts of China today, their social and economic policy may be seen from the following platform issued in August, 1930:¹

1. To overthrow imperialism;
2. To confiscate all foreign firms and banks;
3. To unify China and to grant the right of self-determination to all races and tribes in this country;
4. To overthrow the militarists and Kuomintang government;
5. To establish the conference of workers', peasants' and soldiers' representatives and to set up a Soviet government;
6. To enforce the eight-hour day, to increase wages, to provide relief for the unemployed and to institute social insurance;
7. To confiscate all the holdings of the big landlords for redistribution among the poor and the small peasants;
8. To improve the livelihood of the soldiers and to provide them with work and land;
9. To establish all taxes levied by the militarists and to enforce the single-tax system;

1. C. H. Lowe; op. cit., p. 152.

10. To cooperate with all the unpropertied classes of the world and Soviet Russia.

In conformity with the above platform, a Provisional Government of the Soviet Republic of China was inaugurated in 1931 and Mao Tse-Tung was elected its first chairman. A labor code was adopted which provided for the eight-hour day, the fixing of a minimum wage, labor protection for women and children, social insurance for workers, and the establishment of trade unions. Communistic reports issued in the following years claimed that the conditions of the workers and the peasants in the Soviet districts have greatly improved, such as increase of wages, introduction of the eight-hour day, abolishing of the labor contractor system and stopping of night work for children and women. Apprentices in the Soviet districts receive wages, and the apprenticeship term has been reduced from five years or more to three years. Most of the apprentices have freed themselves from the old craft traditions and have organized their own trade unions. The trade unions are given the right to organize and to declare strikes, to negotiate and conclude agreements with employers, and to participate in the running of the factories.

However, since few important industries exist within the Soviet sphere of influence in China, whatever progressive labor regulations and policies the Communists have set forth might have been introduced chiefly for propaganda purposes rather than for actual application. Furthermore, since the Communists have often been compelled to move from one place to another, they have hardly sufficient time to experiment with what they have preached.

(C) Influence of the Communists and their Future in China

In 1932, the Communists claimed that they were in control of 60,000 square miles of Chinese territory, possessed a well-equipped army of 150,000 fighting men and had 50,000,000 civilians under their jurisdiction.¹ Since no accurate information is available for the recent years, it is impossible to make any conjecture regarding the definite size of the Communist Party in China or the extent of its membership among the proletariat. Anyhow, the power of the Communist Party in China goes beyond its numerical strength. The most alluring feature today is their policy of agrarian revolution, which aims at making Communists out of the Chinese peasantry through the redistribution of land. Because of these efforts of redistributing land, countless numbers of farmers have turned Red even though they may not have the slightest idea of the intricate theories of Karl Marx. Such a radical transformation in land tenure presents a big problem for the present Chinese regime to face. Although the Kuomintang has advocated the doctrine of "enabling the peasant to own the land he tills" and "equalization of land ownership" as outlined by Dr. Sun Yat-Sen's Three Principles of People, yet many disturbing circumstances have kept the land policy and other high principles on the shelves for decades, thus giving the Communists a strong ground for attack and propaganda.

Twenty years of civil strife, the break-up of the agricultural system, the deplorable working conditions in the cities, the recurrence

1. "Kuomintang vs. Soviets", China Forum, Shanghai, May 1932.

of natural calamities and famines, and the growth of a ruling class of militarists and politicians who always appeared solicitous of the peoples' welfare but when in power had nothing but their own interests in view; these were constant sources of fuel to the flame of social revolt in China; the recent Sino-Japanese war has further drained national economy which are now on the verge of collapse. These adverse circumstances have driven the sentiments of the peasants and the workers to become sympathetic with the aims and aspirations of the Communist Party, though many will admit that the Soviets in China have hitherto been more destructive than constructive.

In spite of the violent tactics pursued by the Communist Party, its socio-economic policy will always be a rosy appeal to the masses. Whether it will rule China some day largely depends on how soon the present regime will take up positive measures to improve the economic conditions of the country, to gratify the needs of the people, and to rebuild the social order on a new basis of justice and equality. Otherwise the next generation will still have to witness bloodshed and to see China backing away from peace and democracy.

CHAPTER VII

CHINESE INDUSTRIAL COOPERATIVES

(A) Development and Organization of C. I. C.

Development of the Chinese Industrial Cooperatives is a recent phenomenon. The scheme was made in early 1930's and has been put into experiment since 1938. Its chief purpose is to increase productive capacity of the handicraft and small industries in rural districts of China by providing technical and financial aid to workers, with the final aim of fully utilizing the man-power of the vast Chinese population. The plan has been highly praised as most practical and it will benefit the country to a great extent if properly administered, especially in a period of China's transition from agrarian economy toward modern industrial revolution.

Special powers have been given to the organizers and leaders of the C. I. C. to carry out the plan by the Executive Yuan (the equivalent of the cabinet in Western countries). The pioneer organizers are two engineers well known in China for their interest and technical experience in helping on Chinese projects. These men are, first, Rewi Alley, an experienced engineer formerly with the Shanghai Municipal Council, and who has seen service in flood relief in the Yangtze Valley. The other leader is Liu Kuang-pei, at one time Commissioner of Finance of Kansu Province. Under these two men are numerous engineers and Co-operative workers leading out from each of the four main headquarters.

The task of these men are varied in the extreme, but on them and their associates fall the need of working with the local authorities, surveying districts for natural resources, power, labor skills, sites of

buildings, educating the public on the work of cooperatives, teaching the use of machines, planning routes of transportation, and providing markets for goods produced. In all respects this work may be regarded as pioneering into the past in order to build for the future.

Each unit has an experienced organizer as chairman, who is responsible for the management of the enterprise jointly with the workers' committee. Both the chairman and the workers' committee are answerable to the central supervisor, located in the headquarters town in each of the four main districts. Also an inspector supervises newly started cooperatives, reports on progress independently of the chairman and the workers' committee, visits the local officials and villager where such industries operate, gets their criticism and suggestions and reports on them, advises the central supervisor concerning actual conditions, etc.

During the war period, the task of C. I. C. was heavy and difficulties multiplied. They had to work in the interior China as well as the guerilla areas behind the battle front where the communication problems always became the biggest obstacle. At the beginning of the war, it was planned that 30,000 productive cooperatives should be provided to help to form a base for China's war time economy and for peace time reconstruction.¹ But the adverse situation of the later years of the war made it impossible to carry out the original plan and the number of these cooperatives were largely reduced.

1. C. I. C.: "The People Strike Back", The Hongkong-Shanghai Industrial Cooperatives Promotion Committee, 1938.

The officials of such cooperative groups are either elected or appointed by the technical section concerned. There has been an important question of organizing field staff. Here family ties must be forgotten for a moment and all thought of monetary gain put on one side. But the most important asset in the building up of small industry is the skilled worker. Most skilled workers from the big industrial areas must be obtained, and the training of many more are to be followed as a necessary step.

Preferably any cooperative manager, supervisor or chairman should, in addition to some practical experience with workers and peasants, have ability as an educator and organizer. The cooperative workers should in time be able to develop, with his workers as nucleus, such things as mass education, wall or village newspapers, dramatic groups, night schools, radio schools, etc.

Workers are required to sign a standard agreement, with definite rules of conduct and fines and penalties provided for violation thereof. They are given the feeling and reality of ownership of their cooperatives, to encourage in them a sense of responsibility.

(B) Geographical Distribution and Financial Aspects.

The four main headquarters are now temporarily established in the following districts:

1. South Kiangsi near the Fukien and Kwangtung border to serve the Chekiang, Fukien and Kwangtung coastal areas.
2. Southwestern Hunnan for Kwangsi, Kweichow and Yunnan.
3. Eastern Szechuan for Hopei and Anhwei.
4. Western Shensi for Kansu and North China.

In sub-areas of each headquarter area, usually in some city or town, there are situated branches and depots of the Chinese Industrial Cooperatives. Here workers are registered and after projects have been passed by the technical sections concerned, the financing is arranged.

It is considered necessary that the work of the C. I. C. should coordinate a partnership between the workers, consumers and the government. In its initial stages the movement was organized by a few leaders with the advice, support and close supervision of the government. It also obtained considerable sympathy and technical support from abroad. Ordinarily C. I. C. sought financial and technical help from the League of Nations, from cooperative societies of the League's member states, from labor organizations, overseas relief associations and various bodies friendly to China.

The government appropriation of funds for the promotion of industrial cooperatives may be classified as follows:

1. Administrative Fund. The initial government advance has been fixed at \$500,000 (prewar national currency). Such expenses as incurred in the removal of workers, in administration, in publicity and propaganda have been properly charged to this account.

2. Capital Fund. This government fund, fixed at \$500,000, provides loans for the first cooperative units for the purpose of contracting labor, materials and machinery.

(C) Activities of C. I. C. during the Sino-Japanese War.

In view of the lack of an adequate plan for placement of the war veterans, including the wounded and the partially disabled soldiers, C. I. C. went forward to solve this problem by absorbing a certain per-

centage of these soldiers in each cooperative. Since most of these soldiers came from the poor peasant class and many had injuries which would not permit them to return to their former occupations, the village industrial cooperative would ensure a way out for them and would give them a further opportunity of usefulness. C. I. C. also made use of light and simple machinery to full advantage in making consumer goods and military supplies from the native resources of raw materials on hand.

During the war period, the whole organization was placed directly under the control of the Executive Yuan:

1. To advise and organize three types of industrial cooperatives:
 - a. Units of a mobile nature in the front areas. This will form a first line of economic defense.
 - b. Units in the district midway between the front and the rear. These will be a second line of economic defense, coordinating the first with
 - c. Industrial cooperatives in relatively secure provinces to supplement the production of bigger industries already established in those regions. This will form a third line of economic defense.
2. To register workers and to list remaining tools and machinery in the war or enemy-controlled areas.
3. To assist in the removal of skilled workers and industrial equipment from the war zone or areas about to be taken over by the enemy.
4. To obtain necessary funds for the promotion and execution of this cooperative plan.

5. To train a sufficient number of field men necessary for organizing the cooperatives.
6. To supervise and coordinate the work for the purpose of securing better cooperation.
7. To set up an Association of Industrial Cooperatives.
8. To provide for planning, publicity, organization and international support.

(D) Future Outlook.

The reason that the industrial disaster resulting from the war has been so complete lies in the abnormal development of Chinese industry in the past. Almost all the important factories and plants were built and concentrated in the principal coastal cities which were within a short range of the enemy's gunfire. This war has taught China a bitter lesson that new plans should call for radical changes in the whole industrial structure and these are best expressed in the Industrial Cooperative idea.

During the first two years of the experiment, cooperatives in agriculture have been tried out with striking success. The fact that they have not found their way into the field of industry is not due to the absence of such a demand, nor because of lack of organizing ability on the part of workers.

It is rather because of workers' lack of knowledge and understanding about the advantages of cooperatives and lack of strong government support and leadership. Today, however, when factories and plants have been ruined and tens of thousands of China's skilled workers rendered unemployed after the war, is the most opportune time to introduce extensively the cooperative system in industry.

As already pointed out above, the industrial cooperative plan is a new trial in China. No accurate information has yet been available on hand to show how successful it has been. However, the writer's intention of introducing it here is due to the fact that China today is in urgent need of economic reconstruction with a strong foundation. The industrial cooperatives will answer the problem by laying a cornerstone of her industrial structure on the basis of rural economy. Besides, the profit-sharing system of the cooperative plan shapes the model for future labor-industry relations which may pave the road for social harmony and industrial peace.

CHAPTER VIII

PROBLEMS OF UNEMPLOYMENT AND THEIR BASIC SOLUTION

(A) Significance of unemployment in China.

While unemployment is now a world-wide problem, it is perhaps most pronounced in poverty-stricken China. As a matter of fact, it is more correct to describe the situation in China as one of under-employment rather than unemployment in the western sense. For strictly speaking, unemployment as is found in highly industrialized countries like the United States presents itself in China only in a comparatively small degree. Some would attribute this difference to the low standard of living that prevails among the Chinese people, but there is another basic dis-similarity. In Europe and America, men become jobless largely because of the inherent shortcomings of the capitalistic structure, while in China the great masses of the people have never been gainfully employed. With economic backwardness and political disturbances tangling with each other, the issue that the Chinese have to tackle first and foremost is really under-employment. It is important to make this distinction between industrial unemployment as it exists in the West and under-employment as it prevails in China, for without a clear recognition of the economic symptoms there can be no correct solution for relieving the sufferings of the millions of jobless people in China.

(B) Extent of Unemployment.

Since social statistics is practically new in China, there are no reliable studies or data yet to show the exact extent of under-employment. But its seriousness may be seen from the following fragmentary studies.

According to Dr. Leonard Hsu's estimate,¹ about 35 to 45 percent of the male population and about 10 to 20 percent of the female population in China are gainfully employed, which means only 23 to 33 percent of the entire Chinese population are gainfully employed. Mr. Lu Tso-hsu estimated in 1930 that at least 168,322,000 people were without regular employment.² Taking 475,000,000 as the total population by that time (p.3), the percentage of unemployment is amazing. The data collected by various philanthropic organizations in 1929 revealed that in the whole country there were over 105,000,000 poor people who were depending upon charity for their living.³

While the above estimates are by no means accurate or comprehensive, they may perhaps be regarded as fair indications of the seriousness of under-employment in China.

(C) Causes of Underemployment.

The causes of under-employment are many, only a few of the outstanding ones are enumerated as follows:

1. Illiteracy and defects of educational system. China realizes the necessity of industrialization almost all of a sudden. While four-fifths of her population are farming people, and for centuries they live on subsistence level by physical toil, their principle is "work when sun rises and rest after sunset"; education is alien to them and they could

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1. Hsu, Leonard: "Chinese Population Problems", p. 87, The Commercial Press, 1932.
 2. Lu, T. H.: "Unemployment Questions," p.22, World Press, Shanghai, 1930
 3. Lowe, C. H., op. cit., p. 113

never afford to have it. When China plunged to industrialization with an eagerness to reap the fruit experienced by the western world, she was not aware that a parallel step should be taken to build up her people for the new civilization. As a result, the break-up of her agrarian economy caught millions of the farming people in the middle of the road. It is obvious that illiteracy does not match with modern industrialization. Those who were driven from the farms have found that the new society has no place for them. This situation is further intensified by the faulty educational system, by which the majority of the young people do not acquire at school any substantial knowledge to help them build up their future career. Hence they cannot make satisfactory adjustments in the society upon their graduation from school, and unemployment is growing more and more extensive among the intellectual class as well as the farming people.

2. Break-up of the agricultural system. In consequence of continuous civil wars, severe exploitation on the part of the land owners, unbearable taxation and destruction of the irrigation system, the masses of peasants have been doomed to poverty and starvation. The area under cultivation decreases from year to year. The output of agricultural products is being sharply curtailed. These disastrous effects plus the recent war damages to the lands which have had good harvest in the past are sufficient to send millions of people jobless.

3. Decline of handicraft and small industries. Some examples of these industries are silk weaving, the making of domestic articles like candles, shoes, soap, matches and so forth. Tea, which has been a valuable source of revenue to the farming families for many years, is no longer an important item in China's export trade. Thousands of people in

the small towns and rural districts are made jobless by the competition of cheaper and better foreign cloth. And due to political disturbances modern industries have not grown speedily enough to absorb those who have been rendered jobless by the closing down of the handicraft and the small-scale industries.

4. Exorbitant taxation. Under the rule of warlords some years ago, land taxes in some country districts were often levied several times a year and many years in advance. Taxes and assessments have greatly increased in recent years due to the burden of war expenditures.

(D) Unemployment Affected by the War.

The Sino-Japanese war since 1937 has done China a great change in redistribution of her man-power. The mass migration of the coastal population toward inland had greatly subdued the problem of unemployment. While millions were drafted into the army and absorbed by the industries, many more were employed for construction of the railroads, and highways. Besides the working people, the farmers have also enjoyed a prosperity during the war period. Inflation and shortage of materials have pushed the price of rice and other farm products sky high. For the first time farmers have found the land no longer a burden to them. Many were reluctant to leave their farm if not forced into the army by draft.

However, the fact that workers in the interior are chiefly war refugees from coastal China is a potential weakness in the stability of labor force. When the war was brought to an end in 1945, these workers started a mass migration again back to the coast where their families were still living. Demobilization released a large supply of labor force

which no industry could have absorbed. Farmers witnessed the decline of the price of their products following the receding population and knew their golden age was gone. These have added to the difficulties of the government which emerged from the war poor and exhausted. Unemployment is a problem no government can evade to face, but political instability and continuous civil conflicts will make any prescription prove futile.

(E) Possible Solutions of the Problem.

1. Promotion of education. A number of difficulties must be overcome if education is to be extensively developed among the working class in China:

- a. A great portion of the people are still dominated by traditional thinking and antiquated practices. Many of them do not appreciate the value of education, but accept their present plight as inevitable and unchangeable.
 - b. The overwhelming majority of Chinese workers are working such long hours that they have neither the time nor the physical energy for education.
 - c. The low wages which prevail in China do not permit the workers or their children to indulge in education for any longer period.
 - d. In the average Chinese school, too much time is spent on studying the language and too little on using it as an instrument for disseminating scientific knowledge and productive education.
- Early in 1947, the Ministry of Education announced a six-year

plan of compulsory education to be enforced by dividing the whole country into several educational districts. To carry out this plan, a considerable number of schools must be set up in towns and villages in proportion to their population. A revision of policy is necessary to emphasize vocational and industrial education instead of playing with language or blindly following the footsteps of educational movements abroad. However, nothing could bring this plan into effect unless a strong financial backing and an effective supervising system are assured. Here political stability again becomes the first prerequisite.

2. Development of transport and public utilities. It is beyond doubt that China must be equipped with a modern system of transportation which will not only bring within reach her undeveloped resources such as coal, iron and other minerals, but also serves as a vital factor in the effective establishment and functioning of a unified, central government in charge of a vast program for post-war industrialization. Furthermore, because of the lack of good transportation facilities it has been impossible to effect any equitable distribution of agricultural produce in the country. In many places the farmers are finding themselves in distress not so much because they have too little but because they have too much. The rice harvest in the lower Yangtze river districts are so plentiful that in 1933 what was formerly sold at about \$11.00 per picul could be disposed of at only \$3.80.¹ An improvement in transportation facilities will help China in minimizing the chances of famine, and enable her rural population to reap higher returns from their labor.

1. Lowe, C. H., op cit., p. 162.

Evidently, the present system of communications and transportation in China is far behind the growing demands of her political, economic and social progress. In area and in population she is one of the largest countries of the world, but she possesses only 45 kilometers of railways for each million population, as compared with 754 for Great Britain and 3200 for the United States.¹ Indeed, China's political, economic and social life will always be crippled and her problem of under-employment will never be relieved unless she could develop an adequate system of communications and transportation over her vast territory.

Another major item is coastwise and river navigation. China has a sea coast of 2150 miles and two of the world's largest rivers - 2500 miles in Yellow River and 3200 miles in Yangtze River.² The size of her shipping facilities before the war was pitifully small, and the vessels obtained from Japan as partial reparations are far insufficient to cover her immense need. Unless some arrangement could be reached to utilize the surplus ships of the foreign countries, there will be no possibility for China to build up a sufficient tonnage of marine transportation in the immediate future.

3. Improvement of Agriculture. Before plunging into a program of industrial development, China must first adopt a policy of nationwide agricultural improvement. Since four-fifths of her population depend upon farming for a livelihood, China is still overwhelmingly a nation of

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1. Fang, H. T., "The Post-War Industrialization of China", p. 76, Nankai Institute of Economics, Chungking, China, 1942.
 2. Fang, H. T., op. cit., p. 77

farmers and agriculture is still the foundation of her national economy. If the mass of her agricultural population remains on the verge of minimum subsistence and constantly in danger of starvation and destruction, industrial development cannot proceed very far. Farms will always provide raw materials and develop domestic markets for the industries. Until the millions of peasants who depend upon the good earth for their living are brought into a higher economic plane, it is impossible to promote manufacturing on any large scale.

Agricultural policy in China must have its chief objectives in the following:

- a. Stabilization of agricultural production through reduction of risks and uncertainty arising from recurrent famine due to flood or drought.
- b. Increase of agricultural production through better use of the cultivated land and fuller use of the arable uncultivated land.
- c. Standardization of agricultural production to meet the growing needs of large scale manufacturing and exports.

Several steps must be taken to facilitate agricultural reform, such as reforestation, soil and river conservation, extensive construction of irrigation dams and wells, improvement of farm implement and management, promotion of rural industries, and betterment of rural credit and marketing facilities. These steps are necessary towards post-war reconstruction in order to stabilize agricultural production. Definite assistance should be received from the government in enlarging the market for what the farmers produce, and in maintaining a free flow of the

principal food supplies throughout the country.

Serious attention should also be given to the solution of the question of land tenure. The Communist Party in China today has gained a large number of farmers into its fold largely because it has adopted a land policy in their favor. While the National Government has enacted various laws for land reform, few of them have been enforced throughout the country. Unless farmers are relieved of some of the burdens piled on their shoulders by unscrupulous landlords and tax-collectors, there will be very slight chance of restoring stability and prosperity in the country districts.

The standardization of agricultural production is a prerequisite to the use of farm crops for large-scale manufacturing as well as export. The small-scale, decentralized, and disorganized production of farm crops fails to meet the requirements of modern industry for raw materials of a uniform grade. Besides helping by the government, the peasants by organizing themselves into cooperatives can go a long way in standardizing agricultural production and in obtaining for its facilities of purchase, credit and marketing that may tend to reduce the cost of production on the one hand, and to raise farm income on the other.

The Ministry of Agriculture announced in October, 1946, its five-year plan of agricultural improvement which includes the following:

- a. To strengthen the agricultural organizations in the counties, towns and provinces both in personnel and equipment; to train engineers and experts for conducting agricultural reform; to fully utilize the equipment supplied by UNRRA.

b. To centralize planning by the National Government regarding fertilization, reforestation, selection of farm equipment and standardization of produce.

c. To raise the quality of farm products, especially food and clothing.

d. To keep parallel with industrialization plans, the production of many raw materials must be increased by improvement of irrigation, chemical engineering and mechanization; such materials are cotton, jute, silk, soyabeans, tung oil, fur, hides, etc.

e. To raise production, both in quantity and quality, of silk, tea, tung oil, wool, bristles, etc., which have been main items for export.

f. To supply funds for the various agricultural organizations, but those expenditures which are invested for increasing the peasants' income will be borne by the respective organizations and cooperatives.

4. Industrial Reconstruction. It is beyond doubt that China is now in urgent need of industrialization. But the successful development of modern industries on a large-scale requires at least the following prerequisites: (a) large capital, (b) technical knowledge and skilled labor, (c) huge deposits of natural resources and (d) ability in business organization and social cooperation. Unfortunatelly, these factors, with the possible exception of natural resources, are quite lacking in China today and will not be developed or obtainable for many years to come. In view of these difficulties, it will be advantageous to strengthen, as the primary step, her position in the small-scale and handicraft

industries. With these small industries as foundation, the next step is to work towards an industrial development of building up certain basic industries that are of vital concern to China's economical independence. Therefore, according to the order of their importance, four types of industry which have to be developed are discussed as follows:

a. The first is the consumers' goods industries, such as clothing, food and other necessary articles of daily use. Much of China's industrial development during the last few decades has taken place in these branches of industry, and a beginning already made may serve as a good starting point for post-war industrialization. There are several reasons for emphasizing the consumers' goods industries:

1. They can be operated on a large or small scale.
2. They will largely supply domestic needs.
3. Their small requirements of capital, their large use of labor, and their main dependence upon raw materials locally available - all these factors fit in well with Chinese economic conditions. China has a redundant population suffering from permanent underemployment. This excess population, given skill and discipline, can serve as potential reserve of industrial labor for the future large scale industrialization.

b. The second type of industries will be primarily for export. China in her post-war industrial developments will need a large amount of foreign investments for the supply of capital. In order to balance the unfavorable international payments arising from the servicing of new

foreign loans, the need for developing export industries is also important, and must be considered from the very beginning. In the light of her available resources and man-power, three groups of export industries may be developed:

1. The mining and smelting of certain minerals such as tungsten, antimony and tin of which China possesses a major portion of the world's supply.
2. The processing of staple agricultural products such as soy beans, woodoil, vegetable oils, tea, silk, bristles, furs, hides and skins, wool, eggs and egg products.
3. The handicrafts, in which China has the advantage of production on account of her abundant but skillful labor.

Under organization of industrial cooperatives, these craftsmen can unite to supply the world market for handicraft products with better designs, greater output and higher returns.

c. The third category of industries to be developed in China after the war will be for defense purposes. These military industries covering iron and steel, other metals, chemicals, ammunitions, airplanes, trucks and shipbuilding, require heavy capital outlay in which China at present is lacking.

d. The fourth type is the capital goods' industries. As China proceeds with her task of industrialization, her production will gradually shift from purely consumers' goods to include a large proportion of capital goods.

Much has been said about the basic remedies for solving the problems of under-employment in China. The writer believes that if carried out

efficiently and systematically, the living standard of the Chinese people could be raised above the subsistence level and unemployment greatly reduced. But looking into the political field, the outlook is very pessimistic. The widespread of the present civil strife does not show any sign of peaceful solution in the near future. It seems that the masses of agricultural and industrial laborers still have a long way to go before reaching a land of prosperity and happiness.

CHAPTER IX
INDUSTRIAL WELFARE AND PROBLEM OF
SOCIAL SECURITY

(A) Extent of Industrial Welfare in China

The introduction of the factory system in China has brought with it the same train of evils and abuses that have accompanied the industrial progress of the Western countries. Long working hours, dangerous machinery, unsanitary working conditions, child labor and other problems of industrial welfare have recently become important social issues in this country.

The question of workers' welfare was especially emphasized at the National Industrial Conference held in 1930 and was specified in the Factory Law of 1932 in which a special chapter is given to govern workers' welfare (see Appendix 1). The voluntary efforts made by various employers and labor unions vary to a great extent. A general classification of their activities is outlined as follows:¹

1. Physical. Factory clinics; nurseries; safety campaigns; special shelters for wharf and ricksha coolies; and housing facilities such as dormitories and workers' tenements.

2. Educational. Evening classes for workers; day school for workers' children; reading rooms; and Sunday or week-end lectures.

3. Recreational. Athletic activities and games; dramatic and music clubs; club rooms for indoor games; and motion picture entertainments.

1. Lowe, C. H., op. cit., p. 125.

4. Economic. Employees' saving schemes; cooperative stores; rice allowances; maternity benefit; monthly or yearly bonus; accident and funeral allowances; pensions.

5. Moral and religious. Sunday service; bible classes; religious meetings and lectures; and societies or clubs for promoting the workers' moral and spiritual standards.

Whatever efforts have been made so far in industrial welfare are really infinitesimal when compared with the more urgent needs and sufferings of the working people. A tremendous amount of work remains to be done if conditions of Chinese workers are to be brought to humane standards. Besides the above-mentioned positive steps to solve unemployment problems by promoting education and reenforcing agricultural and industrial structure, there will be an urgent need of a nation-wide social insurance plan to safeguard the workers from miserable circumstances over which they have no control. Any measure which aims at relieving their economic pressure will be most welcome, and physical and recreational welfares may be secondary. However, such a plan involves tremendous work and responsibility, which only a centralized governmental administration can shoulder with possible success.

(B) Necessity of Social Insurance

It has been discussed in Chapter VIII how serious are the unemployment problems in China today and what measures could be taken to relieve these problems. Here attention must be given to the fact that unemployment is inevitable under modern economic structure and that it cannot be eliminated without complete economic reorganization. Even in

the highly industrialized countries like the United States and Great Britain where industrial production has reached its full capacity, unemployment is still a recurring problem due to the constant seasonal and cyclical depressions in business activity. Hence, besides positive measures of stabilizing employment, social insurance has been introduced to remedy the defects of competitive capitalism. China is now taking the steps which the Western countries have travelled, in her post-war reconstruction; she will need an effective system of social insurance as well as a comprehensive industrialization plan.

Care of aged persons is another social necessity in the capitalistic world. Modern industrialization has made it harder for the aged to find a place in the productive life of the urban home than on the farm, for the family income is not produced on the premises. Requirements of speed in modern industry makes the older workers the first to be thrown out of work and the last to be hired. This situation has brought forth a social problem of how to care for the aged. This problem is intensified by the ever increasing population and is particularly serious in highly industrialized countries. Although private pension schemes have been widely adopted in which the employers make their own regulations, their inadequacy is apparent. It is necessary to make old-age pension system a government responsibility for enforcing and comprehensive schemes.

Besides the protection of the unemployed and the aged, there is the problem of sickness which is no less important. It has been generally agreed that there are four basic necessities of life, without any one of which individuals cannot for long keep up the productive activities that

most people have to maintain in order to live. These are food, clothing, shelter, and medical care. Only in recent years has the last item been recognized as indispensable. In practically every civilized nation of the world, the problem of safeguarding the workers' health and protecting them against heavy financial losses during illness periods has been met by an extensive system of compulsory or voluntary sickness insurance. Most of these foreign systems provide for payroll contributions by both employer and employee into a sickness insurance fund. In China, the sick people are taken care of by various philanthropical organizations and public hospitals which are very few, and no adequate compensation has been provided by the employers for workers' financial losses.

The above problems call for a national social security plan to parallel the post-war industrialization in China. A study of the British and the American experiences perhaps will help to suggest a program for the Chinese people.

(C) Social Security in Great Britain

Great Britain was the pioneer in the field of compulsory unemployment insurance. The first British act on the subject was passed in 1911. The present scheme covers persons over the legal obligation to attend school (not being less than 14) but under 65, engaged in any employment under a contract of service in Great Britain. The above insurable persons apply to apprentices in receipt of money payment, agricultural workers, members of any ship registered in Britain and alien workers. Unemployment benefit is paid to insured persons between the ages of 16 and 65 and who are unemployed, who fulfil the statutory conditions, and who

are not disqualified. An unemployment fund is set up and is controlled by the Ministry of Labor. Into this fund are paid the contributions of employers, employees and the Exchequer, each of them contributes one-third of a specified amount, and out of this fund are disbursed the benefits and the expenses for administration.

Great Britain began to take care of the aged by public administration in 1908. The act of 1908 provided non-contributory old age pensions applicable to persons over 70 years of age. Amendments were made in 1925 and again in 1929. The 1929 act provides pensions for workers over 65 years of age under the compulsory national health insurance schemes. Benefits are paid from funds collected in contributions from workers and employers, combined with a small annual Exchequer grant. The act recognizes two principal classes of insured persons:

1. Those who are required to be insured--compulsory insurance--because they are engaged in insurable employment.
2. Those who though not so occupied are allowed to insure voluntarily.

Certain conditions must be satisfied before a contributory pension is granted. Contributions are collected in conjunction with health insurance contributions administered by the Ministry of Health, and benefits are paid through the post office.

Britain adopted the health insurance system in 1911 by passage of the National Health Insurance Act. Since then several revisions have been made, and a consolidating act was passed in 1936 in which the National Health Insurance was interlocked with the pension system. The present scheme covers all persons who work under the direction of an employer except

independent contractors, ministers of religion and professional men in general.

Contributions are usually collected by affixing a stamp to an insurance card once a week. The value of the stamp covers the employer's and the employee's contribution both the health insurance and the contributory pensions scheme. The state grants in the case of health insurance one-seventh of the cost of benefits paid to men and one-fifth of those paid to women, including the cost of maternity benefits and additional benefits.

Two kinds of benefits are given: medical and cash. Medical benefits includes general practitioners' services and the provision of such drugs and medical or surgical appliances as are necessary. Cash benefits include sickness benefit, disablement benefit which is a continuity of sickness benefit after a certain specified period, and a lump sum of maternity benefit. All cash benefits are administered by the approved societies, while local Insurance Committees in each county are solely responsible for the administration of medical benefit.

(D) Social Security in the United States

1. Unemployment Compensation.

The Social Security Act of 1935 has pushed the United States a big step forward in the protection of its people by collective means against certain types of human sufferings. The Act establishes a Federal-State system of unemployment compensation which leaves it to the State to initiate legislation and permits wide latitude with respect to the type of law for which they may obtain Federal Cooperation. The Act levies a payroll tax on certain employers throughout the United States. Against this

tax employers in states with unemployment compensation laws approved by the Social Security Board are allowed to credit, as an offset, their contributions to state unemployment funds, up to a maximum of 90 percent of the Federal Tax. The Act also provides that the cost of administering state unemployment compensation laws may be paid by the Federal Government after these laws have been approved by the Social Security Board. Evidently the effect of these two provisions has stimulated state unemployment compensation legislation to a great extent. Before 1935 only one state had passed unemployment law while at the close of the fiscal year 1936-1937 all 48 states, District of Columbia, Alaska and Hawaii had enacted unemployment laws.

In order to make sure that State legislation fulfills the broad purposes of the Act, certain general standards are set up and must be met if employers within the State are to be allowed the credit offset against the Federal tax. Social Security Board is placed with the responsibility of deciding whether or not the State laws meet these requirements and certifying that fact to the Treasury Department.

The State laws are more or less alike, but vary from each other and from the Federal law in a number of important respects, such as number of employees an employer must have to be subject to the law, the types of employment that are exempted, and the inclusion or exclusion of part-time or seasonal employees, amount of benefits to be paid, and whether employee contributions are required.

The Federal Act applies to employers who employ eight or more employees in non-exempt employment. Wide variation exists in the provisions of State laws relating to coverage. However, a majority of the States have

a provision similar to that of the Social Security Act in covering employees of eight or more. There is little variation in the provisions of State unemployment compensation laws relating to contributions. The standard rate is 2.7 percent of the employers' payroll and most of the State laws make no provisions for employee contributions. In regard to the amount of benefits to which the unemployed are entitled, the act provides a minimum and a maximum, but again there is no uniformity.

Under the provisions of the Social Security Act, contributions paid into State unemployment compensation funds in States with approved laws must be turned over to the unemployment trust fund in the Federal Treasury, where they are held in separate accounts to the credit of each State agency until requisitioned for payment of benefits.

2. Old Age Benefits under the Social Security Act.

There are two separate systems provided by the Act: a contributory and non-contributory plan. The non-contributory, or old-age assistance, plan is a cooperative federal-state program, whereby the states are encouraged to pass old-age assistance laws because of the promise of federal subsidies. The contributory scheme is distinctly a federal plan of compulsory savings financed by a tax levied on the worker's income.

In the non-contributory plan, the federal government will grant sums to aid the states in providing assistance of pensions to aged persons provided the laws of these states measure up to certain minimum standards. The federal government will pay half of such pensions up to a total of \$40 a month.

The contributory plan of compulsory old age insurance is designed to supplement and to reduce the need for state old age pensions. This is

purely a federal plan. The contributions are collected by taxes which are required to provide the necessary funds and are levied upon both employers and employees. The employers are required to pay their own tax and also to advance the taxes levied upon their employees, recouping themselves for this latter amount by deducting the sums in question from their wages. In return for all this, when persons in the insured occupations reach the age of 65, they are to receive monthly annuities for as long as they live, subject to two qualifications, namely, a claimant must have been employed during each of at least five years and must have received in all at least \$2,000 in wages. The scale of monthly annuities is to be computed according to a sliding scale based on the workers' income. The rate of annuities is appreciably lower on the higher increments of income than on the lower. It is evident that the system is designed to favor those with smaller total earnings.

3. Protection of Health

Health service in the United States is largely conducted by private agencies and industrial organizations throughout the country. Their activities are generally aimed at prevention of sickness, medical care and voluntary insurance.

a. Prevention of sickness. It usually includes an attempt to prevent and control communicable diseases and tuberculosis, food inspection, housing and sanitation, child hygiene, and public school health work as well as laboratory work and hospitalization in cases of communicable disease. These public-health activities are carried by Federal, State and local governments and voluntary private agencies. Health

service in industry is largely preventive, for sickness impairs quality, reduces output, and increases cost because of its adverse effect upon attendance, nervousness, skill, morale and turnover.

b. Medical care and benefits.

1. Private practice. In medical service and the medical facilities, the people in the United States are the best equipped in the world. About one-half of these facilities were engaged in private practice. But so far as private practice is concerned, the distribution of facilities for medical care and the amount of medical care rendered depend primarily upon ability of patients to pay and not upon need. This largely explains that the lowest income groups receive far less of nearly every type of medical care than those in the highest income groups.

2. Private group clinics. An important modification of private practice has been found in the development of clinics at which patients are treated at uniform and modest fees. The aim of these clinics is to provide an efficient low-cost service which will make available the services of specialists to those who could not otherwise afford such treatment, and at the same time to insure a more steady income to the practitioner.

3. Physicians' plan of "organized medicine". A further evolution appears when the private group clinic offers a complete medical service on the basis of fixed periodic payments. The medical cost to the patient in this case is determined in advance and does not vary with the amount of service rendered. One such clinic is that started by

Doctors Ross and Loos in Southern California in 1929. It offers a complete medical service to groups of subscribers on the basis of \$2 per month per family.

4. Group hospitalization plans. These are the most significant developments in medical care. The great majority of them have been organized during the Depression. Under these plans the subscribers pay in advance a monthly fee, which varies depending upon the scope of services and types of sickness covered. One of the distinguished plans is the Blue Cross Plan. Its movement originated in Texas in 1929 and has grown so that about 17 million people now enjoy its advantages.¹ It is a non-profit citizens' organization formed to act as the insuring agency for a city, a region or a whole state. It enters into contract with the hospitals of its area to accept patients at fixed daily rates. It enrolls subscribers in groups to assure a better spread of risks. Each individual who joins pays \$8 to \$10 a year for himself or \$18 to \$24 for himself and his family. When in need of hospital care he goes to the hospital of his choice and receives up to three or four weeks of hospital care without fear of cost. This includes the use of a semi-private room, meals, nursing service, and the services of the operating room and the laboratory.

5. Industrial plans. A considerable amount of group health plans is now provided in industry in many different ways. One of the most noteworthy and completely developed plans is that of the Endicott-Johnson Corporation of New York State. The company offers comprehensive medical service to all of its employees and their immediate dependents. The

1. The Story of Blue Cross, Public Affairs Pamphlets, New York, 1945.

service includes not only ordinary care by physicians, but also hospital care, both general and maternity, nursing service, dental care, and X-ray or any form of special treatment.

c. Health Insurance

Insurance against loss of time is handled by private and commercial organizations throughout the country.

1. Mutual Benefit Associations. These are sometimes initiated by employees, but more often by employers in the hope of increasing morale and loyalty and reducing labor turnover. The contributions to the fund are in some cases made exclusively by the employees or by the employers, or both. The primary function of mutual benefit associations is to pay cash benefits to members who are temporarily disabled.

2. Trade unions. Their activities are centered upon increasing wages, improving working conditions, and reducing hours of work. Hence the interest of the unions in health problems has been of a preventive nature, although some unions do pay sickness benefits to their members. Due to the difficulty in getting members to finance more liberal benefits, the limited amount of benefits could only cover a small part of the losses involved, especially in cases of prolonged sickness or disability.

3. Insurance Companies. This type of insurance is most extensive in the United States. The individual health-insurance policies of the commercial companies are usually written for the period of one year, although a small percentage of them are of the noncancellable type. The companies have sought business chiefly among higher income groups and in those communities which have a low sickness risk. Workers in certain

occupations and sometimes entire communities are often excluded because of their unfavorable experience.

A further development than individual health insurance through commercial companies is that of group life and disability insurance, which is a plan of selling insurance wholesale to cover risks of the members of a group. Generally it was sold to employers to protect their workers. Usually the policy covers all employees in the firm and is issued after the insurance companies examine the age, health, and other qualifications of the employees covered. The employer is responsible for payment of the premium, but it has become more common in recent years to require employee contributions.

(E) Need of a Comprehensive Social Security Plan

The wide diversion of administrative authorities under the British system has the defect of unnecessary increase in administrative expenses. It also lacks flexibility to meet the changing economic conditions. Theoretically all citizens, whether employed for wages or not, should have equal opportunity to the benefits covered by social insurance, but the present system can hardly provide such an opportunity for all. There has been considerable complaint also against the approved society system. One of the reasons is the variation in benefits payable to members of different approved societies. These differences in benefit may occur among people living in the same street.

The federal-state system of the United States has relieved the federal government from taking full responsibility, but the wide variation in legislation among states will make it difficult to meet economic

crisis which is bound to occur periodically under the present economic system. Also the voluntary health insurance and the group clinics are inadequate. The cost of medical care met on an insurance basis or by fixed periodic payments is usually limited to special groups in the population and there is little likelihood that wage earners generally will be benefited within the present system.

In view of the defects of the present system, a comprehensive insurance was made in 1942 by Sir William Beveridge known as the "Beveridge Plan", under which all social services and all kinds of social payments are unified and associated under a Ministry of Social Security working through a network of local Security Offices all over the country. Not only National Health Insurance, Old Age Pensions and Unemployment Insurance, but also Workmen's compensation are all involved. The above plan has an extensive coverage of the population which are divided into six main classes.

In the United States, a bill was introduced to the Congress in 1943 which corresponds to the Beveridge Plan. A second bill was introduced in 1945 known as the Wagner-Murray-Dingell Bill. It proposed a unified system of comprehensive national social insurance to be administered by the Federal government. The cost of benefits is expected to come out of general taxation, thus the burden ultimately falling upon the middle and upper income groups.

The above plan of Britain and the United States indicates a tendency toward unified administration of social insurance. Since China

has not so far established any effective system of social insurance, the Beveridge Plan and the Wagner-Murray Dingell Bill could serve as a pattern for shaping her social security program which is now being planned by the Ministry of Social Affairs.

CHAPTER X

CONCLUSION

(A) Basic Differences between China and the Western World

In some aspects China is entirely different from the Western countries. When the United States took the lead in modernizing industry, there was little to hamper her experimental development. Starting from a New World, she enjoyed a relative freedom from traditional restraints. It is not so in China. Industrial development in a country with a pattern of life adjusted, after many thousands of years, to her traditional environment means more than a material expansion. It means the extensive readaptation of an entire culture. History has told the world that a rapid cultural change means crisis in any society. In China today many still find themselves the creatures of ancient tradition which has ceased to operate. And the new China, is, for the time being, a confusion of technical advance and social and economic disruption.

The advent of industrialism makes it evident that China can no longer close her door and live on in an ancient tradition. There is no alternative but to take part in a world-wide economic reform. But for a Chinese any attempt to live in a culture derived entirely from the West would mean nothing but unhappiness.

Of course this cultural situation simply implies a transition from an agricultural to an industrial economy. One type is adjusted to the traditional rural community and the other has been introduced from the West.

In China, there is a traditional distinction between men who work with their minds and those who work with their hands. The former rule, and the latter are ruled. As has been mentioned before, this is the basic cause for the social dichotomy in the industry. Over-population is the word to explain this situation. There are too many hands for the available jobs. Plentiful labor crowding on limited resources has made human power the least expensive item in production. Few countries can compare with China in respect of physical toil involved in making a living.

Labor under these circumstances is cheap. It is, therefore, quite natural for those who can afford to live without physical exertion to regard this emancipation from toil with pride. This class, being emancipated from toil, can pursue a high culture if so inclined, and a society ruled mainly by tradition gives high prestige to those who have access to the source of classical teachings. The property class, therefore, becomes also the prestige class. This grows into social antagonism which unfortunately is in active conflict with the needs of modern industry.

Another difference is the basic dissimilarity of social life between China and the West which has caused industrialism to encounter strong resistance on the part of the Chinese peasants who perceive the serious weakness of impersonal relationship in modern industrial organization. This weakness, not closely realized by Western workers, is felt by Chinese workers who have lived in a society which, though small and materially poor, is closely knit and well integrated. They find

consideration and a defined place in their society. Their restlessness in modern organization arises from their failure to find these qualities in the industrial structure. A Chinese from a rural community has spent most of his time in the family circle and on intimate terms with an entire neighborhood. For him a change into a community where in the next bed sleeps a stranger is too sudden. He is taken from a well-integrated society into a world he does not know; in it his work means nothing whatever to him except that from it he derives a wage. He does not know where his group or group responsibility begins or ends.

This explanation of the peasants' reluctance to enter factories does not imply approval of a retreat into the ancient world. But the mere transplantation of Western industrial methods into China will certainly fail even if technically successful. A system that has not satisfied the Western laborers will not satisfy the Chinese. Therefore, China's task of industrialization is not to transplant but to adapt, and to create a social system that will take advantage of technical advancement on the one hand and will preserve the social integrity on the other.

(B) The Prospect of China's Future Industry

The industrial cooperatives have found their way of instant acceptance into the agricultural society. This is due to the fact that it fits the traditional ideology of mutual help and small-scale organization. Members may take up new tools but they remain in their own community and enjoy their usual social relations with others. The present difficulties of adjusting factory workers to a new physical and social environment enables us to understand the advantages of the small village cooperatives. However, the cooperative system has its weakness of low efficiency and

high cost of production in small-scale industries.

Nevertheless, if it is possible to organize the future industry of China on a pattern of small units scattered in the villages, coordinated by better transportation and central administration and supplied with cheap electric power, and if this way lessens the break of her social continuity and increases industrial harmony, there is no reason why China should not follow her own way to build up industries in the agrarian society during the period of transition from agricultural to industrial economy.

APPENDIX I

Factory Law

Promulgated by the National Government of China on December 30, 1929 and revised on December 30, 1932; translated by Loew Chuan-hua and N. F. Allman.

Chapter I

General Provisions

Article 1. This Law shall apply to all factories where power generators are used and where in ordinary times thirty or more laborers are employed.

Article 2. When used in this Law, unless the regulations otherwise indicate, the term "Proper Authorities" means the municipal government in municipalities and the district governments in the districts (hsien).

Article 3. Factories shall keep a laborers' register, record fully the following particulars concerning each laborer, and file such information with the Proper Authorities:-

- (1) Name, sex, age, native-place and address;
- (2) Date of entry into the factory;
- (3) The kind of work, hours and remuneration;
- (4) Physical condition;
- (5) The rewards and penalties received in the factory;
- (6) The kinds of illness suffered by the laborer and the causes thereof.

Article 4. Once every six months factories shall submit to the Proper Authorities a report, containing the following particulars:-

- (1) Changes made in laborers' register;
- (2) Illness suffered by the laborers, treatment and results;
- (3) Accidents and measures taken for relief thereof;
- (4) The dismissal of laborers and reasons therefor;

Chapter II

Child and Female Labor

Article 5. No person, male or female, who has not completed his or her fourteenth year shall be employed in any factory as a laborer. Boys or girls above the age of twelve and below the age of fourteen who are already in employment prior to the promulgation of this Law may, with the consent of the Proper Authorities, have the age limit extended when this Law is put into effect.

Article 6. Males or females above the age of fourteen but who have not completed their sixteenth year shall be deemed child laborers and are permitted to perform light or easy work only.

Article 7. Child and female laborers shall not be employed in the following work:

- (1) In handling explosives, inflammatory or poisonous articles;
- (2) In places which are exposed to dust or poisonous odors and gas;
- (3) In fixing, cleaning, oiling, inspecting or repairing moving machine, power transmitting equipment, or risky parts thereof, or in adjusting belts and ropes;
- (4) In connecting highly charged electric wires;
- (5) In handling molten metals or the residue thereof;
- (6) In handling furnaces or boilers;
- (7) Or other work that is immoral or of a dangerous character.

Chapter III

Working Hours

Article 8. In principle the number of working hours for adult laborers shall be eight per day; but may be extended to ten per day in cases of necessity due to varying local conditions or the nature of the work.

Article 9. All factories that use the system of day and night shifts shall so arrange their working schedules that the shifts for the laborers may be interchanged at least once a week.

Article 10. Notwithstanding the provisions of Article 8, a factory may, in case of force majeure and with the consent of the labor union, extend the working day, but the total number of working hours shall not exceed twelve per day, and the overtime work shall not exceed forty-six per month for any laborer.

Article 11. The regular working day for child laborers shall, under no circumstances, exceed eight hours.

Article 12. Child laborers shall not work between the hours of eight o'clock in the evening and six o'clock the following morning.

Chapter IV

Rest and Holidays

Article 14. Any laborer who works continuously for a period of five hours shall have half an hour's rest.

Article 15. All laborers shall have one day of regular holiday in every seven days.

Article 16. All factories shall cease work on holidays designated by the laws or orders of the National Government.

Article 17. All laborers who work continuously for a fixed period shall be allowed a special holiday which shall be based on the following scale:-

- (1) All laborers who have worked continuously for more than one year but less than three years, shall be allowed a holiday period of seven days each year.
- (2) All laborers who have worked continuously for more than three years but less than five years, shall be allowed a holiday period of ten days per year.
- (3) All laborers who have worked continuously for more than five years but less than ten years, shall be allowed a holiday period of fourteen days a year.
- (4) All laborers who have worked continuously for more than ten years shall have an additional year added to his holiday period, but the total number of rest days shall not exceed thirty.

Article 18. All laborers shall be paid their regular wages for the holidays and rest periods provided in Articles 15, 16 and 17. In cases where the laborers do not wish to enjoy the special holiday to which they are entitled, their wages for the said period shall be doubled.

Article 19. Where military establishments or public utility works are concerned, the Proper Authorities may refuse to grant holiday periods whenever they deem such action necessary.

Chapter V

Wages

Article 20. Minimum wages of the laborers shall be determined in accordance with the living conditions prevalent in the various localities in which the factories are established.

Article 21. Wages shall be paid to the laborers in full legal tender of the localities where the factories are situated.

Article 22. Regular wages based either on the time-rate or the piece-rate shall be paid to the workers at least twice a month. Wages shall be paid on fixed dates.

Article 23. Whenever an extension of working hours is made in accordance with Article 10 or 19, the laborers' wages shall be increased from one-third to two-thirds of their regular wages calculated on an hourly basis.

Article 24. Male and female laborers of the same occupation and of equal efficiency shall receive equal wages.

Article 25. Factories shall not deduct in advance the wages of the laborers as security for penalties for breach of contract or as indemnity for damages.

Chapter VI

Termination of Working Contracts

Article 26. Contracts entered into for a stipulated period of time may upon expiration be renewed only by mutual agreement.

Article 27. In cases where the contract has no stipulation as to its term, the factory may cancel the same only by serving on the laborers a notice in advance. The time allowed by the notice shall be based upon the following scale, but this provision shall not apply to contracts which have stipulated provisions concerning the manner of termination:-

- (1) Ten days' advance notice to laborers who have worked in the factory for more than three months but less than one year;
- (2) Twenty days' advance notice to laborers who have worked in the factory for more than one year but less than three years;
- (3) Thirty days' advance notice to laborers who have worked for more than three years.

Article 28. Laborers who have received notices of dismissal may ask for a leave of absence in order to apply for other jobs, but said leave of absence shall not exceed two working days a week. Wages during the said period shall be paid to said laborers.

Article 29. Factories which terminate the working contract in conformity with the provisions of Article 27 shall pay the laborers, in addition to their regular wages, half of the wages due for the period of notification as stipulated in the said Article. Failing to comply with the provisions of Article 27, the factories which desire summary termination of the working contract, shall pay to the laborers the entire wages for the period of notification as stipulated in the said Article.

Article 30. Factories may terminate the employment agreements with their laborers under any one of the following conditions, but must serve previous notices on them in accordance with the provisions of Article 27:-

- (1) When a factory totally or partially suspends operations;
- (2) When a factory either through natural disasters or the force of unforeseen circumstances, is obliged to suspend operations for a period of over one month;
- (3) When a laborer is incapable of performing his work.

Article 31. Factories may terminate the employment agreements with their laborers without serving on them any previous notice under any one of the following conditions:-

- (1) When a laborer fails to report for work without good cause for over three days or for over six days within one month.
- (2) When a laborer repeatedly violates the factory's regulations.

Article 32. Laborers may terminate their working contracts by serving on the factories a notice of one week, in case said contracts have no stipulation as to the term thereof.

Article 33. Under any one of the following conditions the laborers may terminate their contracts with the factories without serving on the latter any previous notice.

- (1) When a factory violates the terms of the working contract or any important provisions of the government's labor laws;
- (2) When a factory fails to pay the wages at the proper time without just cause;
- (3) When a factory maltreats the laborers.

Article 34. Disputes arising from the interpretations and applications of paragraph 3 of Article 30, paragraph 1 of Article 31 and Article 33 may be referred to the Factory Council for settlement.

Article 35. Upon termination of the working contract, the laborers may request the factory to issue them certificates of work. But this stipulation shall not be applicable in cases where the laborers summarily terminate their contract without conforming with the provisions of Article 32, or in cases where the contracts are terminated in accordance with any one of the conditions mentioned in Article 31. The certificates shall contain the following particulars:-

- (1) The laborers' name in full, sex, age, native place and address;
- (2) The kind of work engaged in by the laborer;
- (3) The period of time during which the laborer was employed by the factory and his record.

Chapter VII

Laborers' Welfare

Article 36. All factories shall provide supplementary education for the child laborers and apprentices, and shall be responsible for all the expenses incurred thereof. Such supplementary education shall not be less than ten hours a week. For other laborers who have no opportunity for education, the factories shall also establish within their means educational facilities. The time for conducting the above-mentioned education shall be arranged outside of the working hours.

Article 37. Female laborers shall be given leave with full wages before and after childbirth, amounting altogether to eight weeks in duration.

Article 38. Factories shall within the means of possibility assist the laborers in establishing workers' savings and cooperative societies, etc.

Article 39. Factories shall within the means of possibility erect workers' houses and promote proper amusements for their laborers.

Article 40. At the end of each fiscal year, after due appropriations have been made for dividends and reserve funds, the factory shall give those laborers who have no demerits during the year, either a reward or a share of the remaining profits.

Chapter VIII

Safety and Sanitation

Article 41. All factories shall take the following precautions:

- (1) Safety precautions against risks of personal injury to the laborers;
- (2) Safety precautions regarding the structure of the machines;
- (3) Precautions regarding the proper installation of machines;
- (4) Precautions for the prevention of fire and floods.

Article 42. All factories shall have the following sanitary provisions:-

- (1) Provisions for good ventilation;
- (2) Provisions for pure drinks;
- (3) Provisions for lavatories and toilet facilities;
- (4) Provisions for light;
- (5) Provisions for poison prevention.

Article 43. All factories shall give their laborers safety education.

Article 44. Whenever the safety or sanitary provisions of a factory are found inadequate, the Proper Authorities may require improvement within a definite period of time, and in case of necessity may also forbid the use of any part of the factory.

Chapter IX

Laborers' Compensation and Pensions

Article 45. Pending the enforcement of Workers' Insurance Law, the factory shall pay to the laborers who are injured or killed in the performance of their duty all medical expenses and a sum based on the following scale. If however, the capital of the factory is less than fifty thousand dollars, the factory may petition the Proper Authorities to reduce the sums to be paid.

(1) For laborers temporarily incapacitated, the factory shall, besides bearing the medical expenses, pay them each day a sum amounting to two-thirds of their regular wage for a period of not more than six months. Upon the expiration of this said period, the factory may reduce the amount of compensation to half of the laborer's average wage for a period of not more than one year;

(2) For workers permanently disabled in the performance of their duty, the factory shall pay a sum commensurate with the extent of the disablement. Such compensation, however, shall under no circumstances exceed three years' regular wages, or be less than one years' wages;

(3) For laborers killed in the course of their employment the factory shall besides paying a sum of fifty dollars as funeral expenses, pay to the legal heirs, a sum of three hundred dollars plus two years' regular wages. The regular wage mentioned above shall be based upon the laborers' average wage during the last three months of their employment. Funeral expenses and pensions shall be paid at one and the same time, but compensation for injuries or sickness or disablement may be paid at regular intervals.

Article 46. Pensions provided for in the previous Article shall be paid to the wife or husband of the deceased laborer. Should the deceased leave no wife or husband, the pension, unless otherwise provided for in the will of the deceased, shall be paid in accordance with the following order:-

- (1) Children
- (2) Parents
- (3) Grandchildren
- (4) Brothers and sisters.

Article 47. Whenever a laborer urgently needs money on occasion of marriage or death, he may request the factory to advance him a sum not to exceed one month's wage, or the whole or a part of his savings.

Article 48. Should any accident occur resulting in the death or grave injury to a laborer, the factory shall, within five days, report its occurrence and the consequent measures taken to the Proper Authorities.

Chapter X

Factory Council

Article 49. The Factory Council shall be composed of an equal number of representatives from both the factory and the laborers.

The factory representatives on the Factory Council shall be selected from those who are familiar with the conditions of the laborers.

The selection of laborers' representatives shall be reported to and supervised by the representatives of the Proper Authorities.

Article 50. The duties of the Factory Council shall be as follows:-

- (1) To study the improvement of working efficiency;
- (2) To improve the relations between the factory and the laborers, and to settle disputes between them;
- (3) To cooperate in carrying out the collective agreement, the working contract and the regulations of the factory;
- (4) To cooperate in discussing methods of extending the working day;
- (5) To improve the safety and sanitary conditions of the factory;
- (6) To submit proposals for the improvement of factory conditions;
- (7) To plan welfare enterprises for the laborers.

Article 51. Matters referred to in the previous Article and concerning one workshop only shall first be referred to the representatives of the workshop in question and the factory for settlement.

Should the representatives fail to effect a solution or should the matter concern two or more workshops, then the dispute

shall be submitted to the Factory Council for settlement. Should the Council fail to effect a solution, then the dispute shall be settled in accordance with the Law for the Settlement of Disputes between Capital and Labor.

Article 52. Laborers above the age of 16 years shall have the right to vote for the laborers' representatives on the Factory Council.

Article 53. Laborers who are of Chinese nationality above 20 years of age and have worked in the factory for more than six months shall have the right to be elected as laborers' representatives.

Article 54. The number of representatives for either the factory or the laborers shall be limited to from three to nine.

Article 55. The chairman of the Factory Council shall be elected alternately by the factory representatives and the laborers' representatives. The Factory Council shall have one regular meeting each month, but in case of necessity may call special meetings. The quorum of the Factory meeting shall consist of a majority of the total representatives of the Factory Council, and their decisions shall become effective on a vote of two-thirds of the members present.

Chapter XI

Apprentices

Article 56. Factories taking apprentices shall first conclude contracts with them or their legal representatives. The contract shall be made in triplicate, one copy for each of the contracting parties and one to be submitted to the Proper Authorities for registration. The contract shall contain the following articles:-

- (1) The name, sex, age, native place and address of the apprentice;
- (2) The kind of trade the apprentice is to follow;
- (3) The date on which the contract is made and its duration;
- (4) Mutual obligations. Should the apprentice be required to pay tuition, the amount and time for payment shall be stipulated. Where the contract of apprenticeship provides remuneration for the apprentice's service, the amount and time for payment shall likewise be stipulated. The above contract shall not restrict the apprentice's freedom to work upon the expiration of the apprenticeship.

Article 57. Neither male nor female persons below the age of thirteen shall be engaged as apprentices, excepting those who were already engaged as apprentices prior to the enforcement of this Law.

Article 58. The hours of training for apprentices shall be governed by the provisions of Chapter III of this Law.

Article 59. Except for the purposes of practice, apprentices shall not be engaged in any of the occupations enumerated in Article 7.

Article 60. Apprentices shall be diligent, obedient and loyal towards the officers and masters of the factory.

Article 61. During the whole term of apprenticeship, the apprentices shall be supplied with board, lodging and medical care by the factory, in addition to a proper allowance for incidentals each month. The amount of this allowance shall be fixed by the Proper Authorities in accordance with the economic conditions of the locality and the standing of the factory, and with the approval of the Ministry of Industry.

Article 62. Except in cases of great necessity, no apprentice shall leave the factory during the period of apprenticeship; otherwise the apprentice or his legal representative shall refund the board, lodging and medical expenses incurred by the factory during the period of apprenticeship already served.

Article 63. The total number of apprentices taken by a factory shall not exceed one-third of its regular workers.

Article 64. Should a factory take more apprentices than it can adequately train, the Proper Authorities may order a partial reduction, and also set a limit to the number of apprentices the factory may thereafter take.

Article 65. During the period of apprenticeship the factory shall to the best of its ability train the apprentices for the trade specified in the contract of the apprenticeship.

Article 66. In addition to the provisions of Article 31, the factory may terminate the contract of apprenticeship under any one of the following conditions:-

- (1) When the apprentice revolts against proper instructions;
- (2) When the apprentice commits theft and fails to repent, in spite of repeated admonitions.

Article 67. In addition to the provisions of Article 33, the apprentice of his legal representative may terminate the contract of apprenticeship under any one of the following conditions:-

- (1) When the factory is incapable of performing its obligations stipulated in the contract;
- (2) When a factory becomes dangerous to the life and health of the apprentice or harmful to his character.

Chapter XII

Penalties

Article 68. Factories, violating the provisions of Article 7, 11, 12 and 13, shall be fined a sum of not less than one hundred and not more than five hundred dollars for each offense.

Article 69. Factories, violating the provisions of Article 5, 8, 9, 10, 37, and 63, shall be fined a sum of not less than fifty and not more than three hundred dollars for each offense.

Article 70. Factories, violating the provisions of Article 45, shall be fined a sum of not less than fifty and not more than two hundred dollars for each offense.

Article 71. Factories, violating the provisions of Article 3, 4, 14, 15, 16, 17, 18, 19 and 36, shall be fined a sum of not more than one hundred dollars for each offense.

Article 72. When a factory foreman, due to disloyal conduct or negligence, causes thereby an accident or the extension thereof, he shall be punished with imprisonment for a period of not more than one year, or with a fine of not more than five hundred dollars.

Article 73. Any laborer who obstructs the operation of the factory or destroys the goods or equipment of the factory by violence, shall be punished in accordance with Law.

Article 74. A laborer who by duress compels other workers to strike, shall be dealt with in accordance with Law.

Chapter XIII

Addenda

Article 75. The compilation or alteration of factory regulations shall be submitted to the Proper Authorities for approval and promulgation.

Article 76. Regulations for the enforcement of this Law shall be issued separately.

Article 77. This Law shall come into force on and from the day of promulgation.

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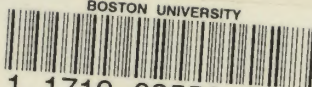
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